

SEPTEMBER 1956

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VOLUME 33 NUMBER 9

The Others Haven't Collected Yet! (See P. 10)

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In the News

JOSEPH L. WOOD, assistant treasurer, Johns-Manville Corporation, New York, as banquet speaker discussed the role of credit in business management at the annual Vermont Business Roundtable, in Burlington.

HENRY F. CHADEAYNE, treasurer, General American Life Insurance Co., has been named research committee chairman on the Citizens Committee for City-County Coordination in St. Louis.

W. LEE BEAVER, JR., treasurer, Artophone Corporation, St. Louis, has been elected to the executive committee of the board of managers of the Missouri Baptist hospital there.

EDWARD W. LYMAN, vice president, United States National Bank, Omaha, has been appointed chairman of the finance committee of the Mayor's City-wide Planning Committee.

MANNY FRIEDMAN, vice president, Wesco Sales Corporation, of New York, has been elected president of the Park Avenue Temple Brotherhood.

MISS VIRGINIA A. REHME, vice president, Southern Commercial and Savings Bank, St. Louis, heads the National Association of Bank Women.

DONALD B. ANDERSON, treasurer, Nagel-Chase Manufacturing Company, Chicago, is president of the Caster and Floor Truck Manufacturers Association.


R. J. Pfotenhauer, assistant secretary, Charmin Paper Mills, Inc., Green Bay, Wis., has been selected as the outstanding young man of the year by the Junior Chamber of Commerce there.

C. LINCOLN LINDERHOLM, president, Central Bank, Grand Rapids, Mich., has been elected president of the Grand Rapids Rotary Club.

HERBERT R. SILVERMAN, executive vice president of James Talcott, Inc., New York City, is associate chairman for 1956 of the factors and finance division of the Joint Defense Appeal of the American Jewish Committee and B'nai B'rith. Mr. Silverman is chairman of the board of the National Commercial Finance Conference.

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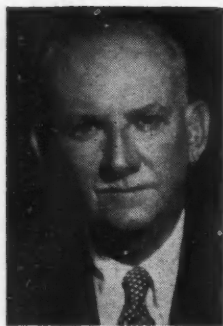
this advertisement appears in color in:

BUSINESS WEEK—Sept. 8; NEWSWEEK—Sept. 17;

TIME—Sept. 17; U. S. NEWS & WORLD REPORT—Sept. 28;

NATION'S BUSINESS—October; TOWN JOURNAL—October;

AMERICAN HOME—October; BETTER HOMES & GARDENS—October.



EDITORIAL

Henry H. Heimann
Executive Vice-President

The Value of Sound Teaching

EASY come, easy go" is a maxim as true today as the day it first was spoken. The things you earn, which require a sacrifice on your part, are usually the things you preserve and appreciate most. One is grateful for a gift but proud of something acquired through labor, industry, thrift and saving. Another saying of history is that "all work and no play makes Jack a dull boy." No one ever emphasized the fact that too much play and too little work makes Jack a soft boy. He cannot take it if he never has known hardship.

In this day and age, when we look to the government for most everything, when in our employment we emphasize not the work to be done but the benefits to be given us, it is questionable whether in a period of stress and strain we shall possess the strength of character needed to quickly overcome it. It is a fact that the things you fight to win you respect. Illness makes a return of good health more enjoyable. Every hardship endured emphasizes the pleasure of comforts.

We do not want a nation of sufferers, but we do not want to be spoon-fed a doctrine that the world presents no problems. Look what has happened to other nations that adopted the paternalistic program now unfortunately so common in many lands. We may need our circuses from time to time but we do not, like Rome, want a continuous merry-go-round.

For many years now, things have been relatively easy. A high standard of living has been enjoyed without extraordinary effort. Many people wonder what will occur, both to our government and to us as individuals, if times become rather hard. History tells us what happened in other lands. We don't want those things to occur over here.

This month marks the opening of our schools. It would be in the interest of the nation's welfare if in our educational program we not only counted our blessings but, what is more important, emphasized how these blessings were attained by our forefathers. It should be stressed time and again how easily they have been lost in other nations and by other peoples. We have so splendid a country, and our inheritance from our forefathers is so precious, that we ought constantly to remind ourselves that many of today's blessings came from the labors and the sacrifices of those who went before us.

These are spiritual lessons we cannot neglect. The schools of the nation offer the best public forums in which to be taught the price of liberty, comfort, health and character. Such teaching will take into account the essential ingredients which go into the building of a strong people and a strong nation. The youth of the land form their character in their homes and in their schools. Now that the school bell has called our youngsters back, let us be sure our educational programs are worthy of a strong people and nation.

THE SEPTEMBER COVER

THE 41,000-mile Federal and State superhighway program, upon which the nation embarked as soon as President Eisenhower signed the \$33 billion construction bill, can be expected to raise many varieties of complications for credit management in the financial aspects and arrangements for supplying contractors with material. Involved will be the assurance of payment for the supplies after they have been delivered to the site of the job.

In the general area of payment to supplier by contractor is the credit problem discussed on page 10 of this issue. In the \$100,000 public works project the writer shows the happy results achieved by three-way teamwork with the customer and his bank.

That the arrangement was a complete success is evinced by the fact that the supplier was paid in full before the final acceptance of the contract by the State.

Paul J. Kremer, controller and assistant treasurer of The Buffalo Slag Co., Inc., at Buffalo, N.Y., represented the supplier in the transaction. He is shown here with Henry F. Rath, (right), the company's manager of sales for the State of Pennsylvania.

Mr. Rath, who attended the University of Michigan, was for a time with the Nickel Plate Sand & Gravel Co. of Erie, Pa., and the N.K.P.R.R.

He started with the Buffalo Slag Company in 1936, in the sales department. Mr. Rath is a past president of the Pennsylvania Slag Association. His headquarters are in Erie.



FINANCIAL MANAGEMENT

General Manager, Edwin B. Moran
Official Publication of The National Association of Credit Men

VOLUME 58

NUMBER 9

IN THIS ISSUE

	Page
The Value of Sound Teaching— <i>Editorial by Henry H. Heimann</i>	4
Washington	6
Eight Executives Win Honors for Forecasts of Industrial Production and Wholesale Price Indexes	8
Management at Work	10
Unsound Practices in Farm Credit	12
Flexibility Underscored as an Essential to Improve Profit	14
Raising Corporate Funds by Direct Placement Loans	16
Working Capital—Part II: Sources and Management	20
Pictorial News of Credit and Finance	22
Legal Rulings and Opinions	24
Bugbear of Copy Shortage Routed When Automatic Unit Is Installed	25
Trends	26
Book Reviews—Efficiency Tips—Keeping Informed	27
On the Personal Side	28
Modernizing the Office	30
Commencement Offers New Vision of Service and Self-Growth, Walker Tells NACM Stanford Graduates	34
Calendar of Coming Events	40
Executives in the News	42

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Washington

☐ **BANKRUPTCY ACT** amendments by the 84th Congress include increased referee salary ceilings (to \$15,000 a year from the old \$12,500 limit for full-time referees), and a 50 per cent increase in trustee fees. Both measures were strongly backed by the National Association of Credit Men. Also passed were a bill which extends the definition of "salesman" to include independent contractors of the bankrupt, a measure providing the same treatment for unclaimed bankruptcy funds as is accorded other unclaimed funds in the courts, and a bill to eliminate the notice of first meeting of creditors to the internal revenue commissioner.

☐ **BIGGER AND BETTER HIGHWAYS** for the future are seen in the new \$32.9 billion, 16-year highway program provided for by the Congress. The new law authorizes funds for construction of 41,000 miles of super coast-to-coast and border-to-border highways. To pay for it, Congress in the same act boosted the gasoline tax by one cent a gallon, increased tire taxes, and added new levies on trucks and other major highway users adding up to about \$14.8 billions.

(The N.A.C.M. national insurance committee and advisory council sponsored a resolution adopted by this year's Credit Congress that any funds allocated under the Act be expended only so as to guarantee adequate surety bond protection to all those who furnish labor, materials, and supplies under the Act.)

☐ **FLOOD PROTECTION** was provided with a new law whereby the Federal Government will underwrite \$3 to \$5 billions of insurance against flood damage for business and home owners. The new law also makes \$2 to \$4½ billions available to flood victims, in long-term, low-interest loans. Under the new law the Government will decide what rate should be charged for flood insurance and then pay up to 40 per cent of this for either the businessman or the private home owner. The policy holder would pay the remainder of the premium with coverage limited to \$250,000 per business and \$10,000 per dwelling. The law also provides a "deductible clause" (as in auto insurance), requiring the insured person to pay the first \$100, and 5 per cent of the balance, of any loss. For a fee less than the insurance premium a person will also be able to obtain a Federal loan if he sustains flood damage. The loan program carries the same per business and per dwelling limits as the insurance program. Under the new Act no insurance can be issued or reinsured by

the Government if comparable coverage is available at reasonable rates from private companies.

☐ **A BOON TO HOME BUILDERS** is provided with the enactment of new housing legislation authorizing 180,000 public housing units over the next two years. Congress also extended and liberalized home improvement loan insurance, voted lower term plans for various types of housing under FHA, made the Federal National Mortgage Association more flexible, broadened the so-called urban renewal programs, extended Government farm housing and authorized the FHA to insure \$3 billion more of housing loans.

☐ **POSTAL RATE BOOSTS** are out—at least for another year. Proponents of higher mail costs succeeded in getting the measure for higher rates on all classes of mail passed by the House, but the bill died in the Senate post office committee. This is as far as any postal rate-increase bill has gone in recent Congresses.

☐ **PUBLIC DEBT** at the end of 1955-56 fiscal year stood at \$272,750,813,649. This amounts to about \$1,623 debt owing by every man, woman and child in the United States. Under a new law the "temporary" debt ceiling is lowered to \$278 billion from the \$281 billion ceiling last year. It is still well above the \$275 billion "permanent" ceiling, however.

☐ **THE SOCIAL SECURITY ACT** was broadened to allow qualified women to draw retirement benefits at the age of 62 and disabled workers to receive payments at the age of 50. The new law also provides an extension of coverage to all professional groups except physicians and osteopaths. To pay for this, the new amendments also provide for an increase in payroll taxes of employees and employers of one quarter of 1 per cent starting next January 1st.

☐ **THE RENEGOTIATION ACT** was extended for another two years, but under more liberal terms. The statutory floor below which sales cannot be renegotiated is now raised to \$1 million. Also, the "standard commercial article" exemption now eliminates the test that competitive conditions must be such as will reasonably prevent excessive profits. Contracts subject to renegotiation, under the new law, are limited to those with the Defense Department, Atomic Energy Commission,

Maritime Administration, and General Services Administration.

— — — — —
¶ THE DEFENSE PRODUCTION ACT was also extended another two years, with the added requirement that in any future location of defense plants, which are built with Government assistance or are Government owned, consideration must be given the possibility of factory dispersal to areas which would be less vulnerable in the event of any all-out war.

— — — — —
The preceding analysis of action—or lack of action—by the 84th Congress on measures of special importance to credit executives is by Robert L. Roper, director, NACM legislative department. At press time, all these measures had been signed, including the Social Security law, the last of these Acts to receive the Presidential blessing.

— — — — —
¶ COURT TEST is underway in the effort of the Securities and Exchange Commission to obtain jurisdiction over variable annuity policies. The SEC asked the United States district court for the District of Columbia to enjoin sale of such policies by the Variable Annuity Life Insurance Company of America, Inc. SEC charged that the concern is an investment company within the meaning of the Securities Act of 1933 and the Investment Company Act of 1940 and therefore should have registered.

The complaint said that the company's contracts call for periodical payments of sums varying according to the value of an underlying fund invested in common stock and other equity-type investments.

Proponents of variable annuity operation, a subject of controversy for years, insist that state insurance departments can regulate administration of such companies without Federal intervention.

¶ GOVERNMENT turned thumbs down on exportation of nickel-bearing scrap for the third quarter. Acute shortage for domestic civilian use is the reason given by the bureau of foreign commerce of the Department of Commerce.

¶ DRASTIC REDUCTION of exportation of \$1/cotton blouses to the United States was voted by

the Japanese government lest the complaints of the American textile industry against underselling by Japanese manufacturers result in official action by Washington to cut down the imports from Japan.

The Japanese ministry of international trade and industry decided to limit the exports to 1.5 million blouses, by a reduction of 1 million. Two years ago Japan had shipped 4.02 million dozens and late last year decided upon a limitation of 2.5 millions.

¶ MONETARY and international business interests here were weighing possible effects, if any, of an appeal for revaluation of European currencies toward a true international price system, by Dr. Ludwig Erhard, West Germany's minister of economics. Dr. Erhard said only the Deutsche mark, the Swiss franc and the Belgian franc were valued correctly in terms of the U. S. dollar and the other West European currencies were too expensive in relation to these three.

Dr. Erhard proposed that European countries readjust their currency values in the Organization for European Economic Cooperation and present them to the September meeting of the board of governors of the International Monetary Fund.

¶ "INVALUABLE" is the way W. Randolph Burgess, undersecretary of the Treasury, described the services of the department's advisory committees on new financing, before a subcommittee of the House government operations committee. He added that "there is usually a difference" between the committees' recommendations and the Treasury's final decision.

¶ INTEREST RATES have been increased by the World Bank on its loans to member countries, reflecting a tight international money market. Now, loans up to and through 15 years are at 4¾ per cent, and all loans of 16 years and longer are at 5 per cent. A representative of the International Bank for Reconstruction and Development said the rates might be reduced if there is an easing of money market conditions.

¶ AN INCREASE of 15 per cent in the first quarter over the same period of last year in total commercial trade of the United States, to an all-time record, was noted by Sinclair Weeks, secretary of commerce, at a press conference, where he advocated that Congress act for membership of this country in the Organization for Trade Cooperation. He noted that foreign trade continues to expand and that "prospects are bright for more trade as the economies of the free nations continue to grow stronger."

Secretary Weeks declared that "we are not exporting to the Soviet bloc either goods of strategic significance or the technical data from which such goods could be produced, but we offer every opportunity for trade in peaceful goods."

OFFICIAL TEXTS—of all mobilization agency regulations may be had, free of charge, by writing the Information Division of the agency involved, Washington 25, D.C.

THE FEDERAL REGISTER—a Government daily publication, which contains full texts of all regulations, is available from the Superintendent of Documents, also at Washington 25.



Production, Wholesale Index Honors to Eight

THIS is the time of year we "take stock," not of inventory but of executive scoring in CFM's annual mid-year Index forecasts. Five executives made target in forecasting the INDUSTRIAL PRODUCTION adjusted combined Index, estimating this accurately. The WHOLESALE PRICE Index was "too tough a nut" to crack down the middle, but three executives did come within two-tenths of a point, not at all a "mean average" (if we may use this expression loosely).

The CFM Index poll is taken annually in November and the predictions are published in the following January issue. Approximately 100 executives, including economists, educators and company executives, participated in the 1956 forecasts which were published in our January issue, pages 12-13.

Industrial Production Index 141

It looked as if the bankers were going to monopolize the winning spot for accurately forecasting the INDUSTRIAL PRODUCTION Adjusted Combined Index, but two representatives of industry came forth to hit the tape in a "photo finish." The I.P. Index as of June 1956 (Federal Reserve Bank average 1947-49 is 100) was reported at 141, compared with 139 a year ago and 124 two years ago. The overall average prediction of executives in the CFM survey was 139.1.

These executives accurately forecast the midyear Industrial Production Index:

O. W. HARIGEL, vice president, Houston National Bank, Houston, Texas, who is a director NACM.

JOSEPH J. KABERNA, vice president, The First National Bank of Chicago.

ARTHUR A. SMITH, vice president and economist, First National Bank, Dallas.

L. B. OSWALD, credit manager, northern division, Cook Paint & Varnish Company, Omaha, past president of the Omaha Association of Credit Men.

J. F. WELSH, secretary, McCormick & Company, Baltimore, also a National director.



O. W. HARIGEL



J. J. KABERNA



L. B. OSWALD



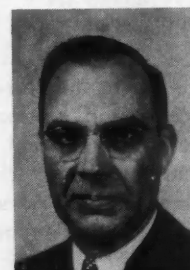
DR. A. A. SMITH



J. F. WELSH



J. P. MILLER



K. C. SOMMER



A. J. SMITH

Twelve other executives qualify as "runners up" in that they predicted the midyear I.P. Index within one point either way of the actual figure. C. Fred Ensign, assistant treasurer, The Cleveland Twist Drill Company, Cleveland, was the closest runner-up with 140.2. Incidentally, Mr. Ensign was a runner-up in 1953.

AUGUST F. STONE, president, American Credit Indemnity Co. of N. Y., Baltimore, Md.

F. S. CORNELL, vice president and general manager, A. O. Smith Corp., Milwaukee.

J. H. CHARPENTIER, assistant secretary, The Fenn Manufacturing Co., Newington, Conn.

W. L. BUSCH, credit manager, Charles Pfizer Co., Inc., Brooklyn, N. Y.

H. B. SIMPSON, assistant vice president, The American Lubricants Co., Dayton, Ohio.

C. FRED ENSIGN, assistant treasurer, The Cleveland Twist Drill Co., Cleveland.

JAMES N. JONES, treasurer, Decatur & Hopkins Co., Boston.

J. B. PENNING, credit manager, Johnson Furniture Co., Grand Rapids, Mich.

PAUL E. MERTZ, financial consultant, The Williamson Co., Cincinnati.

CHARLES E. ROBERTS, credit manager, Burwell & Dunn Co., Charlotte, N. C.

HOWARD B. JOHNSON, vice president, Atlantic Steel Co., Atlanta, Ga.

C. K. KUEHNE, office manager, H. D. Lee Co., South Bend, Ind.

With industrial production breaking through all known barriers of the past, just as jet planes have crashed the sonic barrier, the task of predicting the economic future becomes more complex. These executives therefore may take pride in their skill in estimating production trends.

Wholesale Price Index 114.2

The overall average WHOLESALE PRICE Index prediction of the executives on January 1st for midyear was 111.1. Midyear 1955 the Index was 110.3, indicating that executives in the majority felt prices would hold steady or rise only slightly in the first half of 1956. The actual figure reported for June 1956 is 114.2 (Bureau of Labor, U.S. Department of Commerce, 1947-49 average is 100).

Ultraconservative forecasting leaves this Index a blank so far as 100 per cent accuracy is concerned, with three executives coming within two-tenths of a point, as noted. Only one foresaw prices higher than the Index revealed; he estimated an Index of 117! Very few executives believed the

wholesale price index would decline, according to the estimates.

These are the three executives who scored closest to the actual index figure:

J. PRESTON MILLER, assistant treasurer, **Dexter Industries, Inc.**, Grand Rapids, a past president of **NACM**, Western Michigan, and **K. CALVIN SOMMER**, assistant treasurer and credit manager, **The Youngstown Sheet & Tube Company**, Youngstown, Ohio, both estimated the Index would be 114.0. **A. J. SMITH**, assistant credit manager, **Hercules Powder Company**, Wilmington, Del., thought it would be 114.4.

Listed are the Index figures for the last five years:

	WHOLESALE PRICE INDEX (Bur. of Labor, Dept. of Commerce, avg. 1947-49 is 100)	INDUSTRIAL PRODUCTION ADJUSTED COMBINED INDEX (Fed. Res. Bank 1947-49 avg. is 100)
1952	111.3	118
1953	109.5	136
1954	110.0	124
1955	110.3	139
1956	114.2	141*

(*Preliminary figure)

Comparisons with preceding forecast years show:

For the **INDUSTRIAL PRODUCTION INDEX** guesstimate, no winners in 1955 (there were two runners-up who came within 1 point), 9 winners in 1954, one winner in 1953. This year's tally of five winners compares favorably.

For the **WHOLESALE PRICE INDEX** the record shows two perfect scores in 1955, three in 1954, and only one in 1953.

Favors Regular Gatherings Of Labor and Management

To improve the industry-labor atmosphere, there must be improved communications both at the local and national level, and **Mark W. Cresap, Jr.**, executive vice president of **Westinghouse Electric Corporation**, suggests the "establishment of regular joint meetings of representatives of labor and management." He believes that "a great deal will have been accomplished if union leaders and managers get together around the dinner table, as well as around the negotiating table." These meetings should be relatively informal, with limited objectives, and should begin at the local company-local union level, **Mr. Cresap** said.

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A service offered through subsidiaries of
Commercial Credit Company, capital and surplus over \$190,000,000



By **PAUL J. KREMER**
Controller, Assistant Treasurer
The Buffalo Slag Co., Inc.
Buffalo, New York

EXTENSION of credit to contractors requires a lot of ingenuity. One must contrive to establish a basis upon which he should be assured, without question, that he will get paid for his material after it has been delivered to the job site.

Credit extension to small building contractors and to those building driveways, laying sidewalks, and handling other small construction jobs is not too difficult. One can base his credit decision on mercantile reports, bank references, and other media. Most states have lien laws and one could protect himself in this way. On large construction projects, particularly State public works and Federal public works projects, the credit grantor may have the protection of a material bond, but not all states have material bonds, and some Federal projects do not require a material bond. Therefore the astute credit man must make certain, before he approves credit, that he is not just going by hearsay that the job is bonded.

Contract Assigned to Bank

Here is how we handled the supplying of a contractor who had a very large public works contract. In this instance the State required from the contractor a labor and material bond

MANAGEMENT AT WORK

.... a problem case is solved

in addition to the performance bond. The contractor's credit rating did not justify approval of the order, which amounted to upward of \$100,000. The only possible way in which the order could be approved was to rely on the material bond. In that particular State, in order to collect under the material bond, however, lien rights must first be exhausted. It was therefore necessary to watch carefully the date of final acceptance of the job in order to protect these rights.

In discussing the manner in which this contractor was going to finance his job for payrolls and other incidentals between monthly estimates that would be paid him by the State, it was found that he had assigned the contract to a bank. This meant that estimate checks would go to the bank and not the contractor. It was further discovered that, when an estimate was to be forwarded to the public works office for checking and issuance of a check, the bank at that time would lend the contractor a substantial percentage of the amount of the estimate. When it received the check from the State, the bank would deduct the amount of the loan and put the balance in the contractor's account.

Check Certified by Bank

Because of the size of the contract and the poor financial condition of the contractor, it was decided not to rely 100 per cent on payment of the contractor's bills by the bonding company as it was apparent that they would not be paid in accordance with the terms of sale. Our company of course is not in the business of financing contractors.

After talking over the situation with the contractor, we made this arrangement. He gave our company an order on the bank for the bank to pay us, the suppliers of material, out of monies advanced by the bank to the

contractor. A representative of our company would meet with the contractor at the bank at the time he signed the note and sent the estimate to the public works office. The contractor then would make out a check for the amount due us. The bank would certify the check and turn it over to our representative.

In substance, the type of order we used was as follows. It was an order by the contractor to the bank to pay us for materials furnished on the public works contract. It did not give us a lien on any of the monies due under the contract, or any priority except in the matter covered by the letter. If, on the other hand, the order could not be followed for some reason, we still could protect ourselves by filing a lien. If that did not pay our account in full, we could recover under the material bond from the bonding company.

How The Order Read

The order read somewhat as follows: "You are hereby authorized and directed to pay to (name of material supplier) out of monies to be advanced by you to the undersigned (contractor) under the assignment from us to you for monies due and to become due under a certain contract made by us with the (name of the department of the public works office or whatever contracting body let the contract). (Then followed the identification of the job, the number, where located, what type of work, such as new construction or repairing—whatever the nature of the work)—all amounts hereafter payable to said (supplier of materials) for materials furnished to us for the performance of such contract."

The order further stated: "At the time of each advance of monies to us under such assignment we authorize and direct you to pay to (name of material supplier) out of such ad-

vance for all materials furnished by them respectively during the period covered by the State estimate upon which such advance to us was made, as shown by certified invoices to be delivered to you by them, and for all material furnished by them prior to such estimate period and not paid for, if any.

"Payments made by you to (name of material supplier) under this order shall be charged by you as advances made to us with the same effect as though the sums so paid had been paid directly to us.

"Yours truly, (name of contractor)
"(Title of the officer signing)"

Supplier Is Paid in Full

Under our arrangement with the contractor and his bank, both of which cooperated in every way, we were paid in full of account before the final acceptance of the contract by the State. The construction contract was completed almost two years ago and many creditors are still unpaid. Some creditors undoubtedly will be paid under the material bond, providing they availed themselves of the rights contained in the bond indenture. Others will have a bad debt.

Our customer is still giving us orders, and we are making certain that such sales are protected by a legal arrangement similar to that outlined.

JOINING the Buffalo Slag Company in 1925, Paul J. Kremer became an officer of the concern in 1941 and has since advanced to assistant treasurer of the Slag Company and two of its subsidiaries and controller of the parent company and the three subsidiaries.

Mr. Kremer attended the University of Buffalo and later taught business subjects in the evening school.

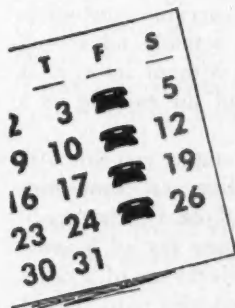
Over the years he has been variously a director of the Credit Men's Association of Western New York and the National Association of Cost Accountants, was the first president of National Office Management Association (NOMA), and in 1947 was president of the Buffalo Control of the Controllers Institute of America.

In the Navy in World War II Mr. Kremer was assistant division head of the accounting and auditing department, Navy bureau of yards and docks.

How follow-ups by telephone improve collections, keep good will



1 When you *telephone* an out-of-town customer, you can request payment as tactfully as if you were face to face. And you'll find this personal approach brings prompt results.



2 Schedule follow-up telephone calls after a specific period of time has elapsed—and on a specific day each week. This kind of planning will save you time, prevent oversights.



3 Keep a record of results by telephone—you can prove how successful this method is in making collections. Why not try it, starting today?

LONG DISTANCE RATES ARE LOW

Here are some examples:

Cincinnati to Indianapolis	55¢
Boston to New York	75¢
Chicago to Cleveland	\$1.00
New Orleans to Dallas	\$1.25
San Francisco to Denver	\$1.70

These are the daytime Station-to-Station rates for the first three minutes. They do not include the 10% federal excise tax.

BELL TELEPHONE SYSTEM

Call by Number. It's Twice as Fast.



UNSOUND PRACTICES IN FARM CREDIT

Seasonal Credit Branded Bad for Both Supplier and Farmer

by M. L. RUFER
Assistant Treasurer
Standard Oil Company (Indiana)
Chicago, Illinois

GASOLINE and many other petroleum products as well as currently in oversupply. This has brought about an intense competition for rural business, in which unsound business practices have been appearing. Among these is seasonal credit to farm trade; that is, credit extending from spring planting until harvest.



M. L. RUFER

Seasonal credit, in our opinion, is bad for both the supplier and the farmer. The supplier ties up too many of his working dollars in receivables, and as a result sees his operating costs rise. On the other hand, the farmer who comes to lean on this crutch finds, in short crop years, when he most needs help, that jobbers and others are of necessity forced to eliminate seasonal credit. His neighbor, accustomed to pay-as-you-go or short-term credit buying, is then able to cope with the situation; the pay-once-a-season man finds himself in difficulties.

Let's take a closer look at the supplier's problem. A study of 30 major oil companies shows that accounts and notes receivable year in and year out make up from 20 to 25 per cent of their current assets. Obviously they represent an investment, and a big one, for the more money you have tied up in credit the less you have available for other purposes. Thus much depends upon the wise use of credit as a sales tool.

Here is what happens to receivables when a petroleum marketer extends seasonal credit to farmers, as evidenced by a case study of one of our sales divisions (in 1954). The actual April balance was \$25 millions, and the actual balance for August was \$33.5 millions. Had the operation been on a seasonal basis, \$67.7 more, for a total of \$101.2 millions, would

NATIVE Minnesotan, M. L. Rufer, assistant treasurer of Standard Oil Company (Indiana), Chicago, attended Wichita College and Northwestern and Harvard universities.

His advancements in Standard Oil Company (Indiana) carried through credit manager, office manager, general credit manager and assistant treasurer.

have been required to handle the same amount of business. A lot of capital is required to carry credit on a seasonal basis.

Advances Money Without Interest

What is more, when you extend long-term credit in our business, it means not only carrying customers for products but actually advancing your own money without interest or return of any kind for as long as a six-month period.

Suppose, for example, you sold 100 gallons of gasoline on long-term credit in North Dakota. On that gasoline you paid a state tax of 5 cents a gallon and a Federal tax of 2 cents—or \$7 in all. You also paid freight of perhaps 1 cent a gallon—another \$1—and an agent's commission of about 2.5 cents a gallon—or another \$2.50. So, in addition to extending credit for the 100 gallons of gasoline, you actually put out \$10.50 in cash.

That's not the only disadvantage. Seasonal credit in many cases can hurt sales more than it helps. The farmer who has run up a big bill, and is in no position to pay, may find it less embarrassing to buy from a competitor. Or a supplier may find that he has extended so much credit that he has to retrench.

Here is a case of some years ago based on the actual records of two companies. Company "A," with consumer credit on a maximum three-month basis, had \$1,496,000 in credit sales in the first six months, of which it collected \$1,190,000 in the six months, leaving uncollected as of July 1st a total of \$306,000. Forty-three per cent of its yearly farm revenue was received in the first half year. In contrast, Company "B," with

October 1 terms, had \$800,000 credit sales the first six months, collected \$50,000 in that period, and had \$750,000 uncollected July 1st. Forty-four per cent of its yearly farm revenue was received in the first six months.

The two companies marketed in bordering states. Company "B," selling on seasonal terms in a poor crop year, eventually found itself with so much credit outstanding that it was forced to cut off customers. Company "A," on the other hand, with more than a million dollars in the till after the first half year, and with only a comparatively small balance outstanding, was able aggressively to push ahead with its sales program at a time when the other company was having to curtail its selling program.

Pointing Up a Fallacy

Actually, what is the basis for extending seasonal credit to farmers? It is simply the belief that the farmer receives his income chiefly during one season of the year. The only thing wrong with this belief is that it isn't true.

In 1952, a U. S. Department of Agriculture study of farm income in 15 middle-western states showed that there wasn't a month in which the farmer did not receive at least 6 per cent of his total yearly income, and there wasn't a month in which he received more than 11 per cent! It is fairly clear that a farmer should have less difficulty in paying a one-month bill in a month in which he has taken in 6 per cent of his income than in paying a six-month bill in a month in which he has taken in just 11 per cent.

Most Favor Pay-As-You-Go

Net farm income, although down from its peak year in 1947, is still relatively good. In terms of purchasing power, however, the picture is not quite so favorable. While what the farmer sells is bringing him less, what he buys is costing him more. Let's put it this way: his position is still good, but not as good as it was. So there's a natural tendency, when

current expenses can be deferred, to use current income for other needs—for capital equipment and the like—without taking into account the day of reckoning. In many instances, seasonal credit amounts to encouraging the farmer in bad business practices.

"Actually, we've found that farmers, unless misled into believing that long-term credit has some magic benefits, will prefer to pay as they go. As for financing, they know that banks stand ready to extend what credit they need and that in drouth areas government loans are available when bank loans are not.

"These are the reasons we've trained our employees and commission agents to collect bills when due—for the most part within a month after delivery of products and in practically all cases within three months. Our financial picture is sounder as a result. What is more, we're doing a better sales job, being able to concentrate more on quality and service. Our farmer friends tell us they like it that way."

Trend Toward More Generous Employee Retirement Benefits

Study of current industrial retirement plan practices of employers in 116 different industries in the United States indicates a trend toward more generous retirement benefits to employees, with fewer plans now requiring employees to contribute toward the cost. Among general developments in the three-year period from 1953 through 1955, pointed up by the study recently recounted by the corporate and pension division of Bankers Trust Company, New York, are these:

More than half of the plans studied had been changed in the period to allow larger benefits for employees.

Age 65 still continues to be the normal retirement age most commonly used for both men and women. Many plans which previously retired women at age 55 or 60 now permit them to continue in service to age 65.

Fewer plans now require employees to contribute toward the cost. However, the number requiring employee contributions is still relatively large.

More plans have either eliminated or liberalized their limitation on maximum pensions, continuing a trend in evidence over 10 years.

Tax-Saving Pension and Profit-Sharing Plans Available Also to Small Business

By **CARL B. EVERBERG**
Attorney, Woburn, Mass.

IN recent times certain large corporations have taken advantage of the tax features which are possible in setting up pension and profit-sharing plans for employees. A mistaken sense of unadaptability to small businesses was felt by many employers, in the application of the tax laws. The fact is that small businesses can avail themselves of all the benefits in these plans which the large corporations and companies have found in them.

One should not look entirely to the tax side of the overall picture, for there is the matter of retirement benefits for the labor force (which may include key executives). The general objective of any pension or profit-sharing plan is to provide deferred compensation at some retirement age—usually at 65—which in the case of profit-sharing is to be provided out of profits. In addition, however, if any plan is approved or qualified by the federal internal revenue au-

highly-compensated employees but it does not exclude them.

One of the misunderstandings about these plans has been the assumption that it is a burdensome thing, especially for small businesses. There is no committal to burdensome obligation in the case of a profit-sharing plan because, if it has been properly drafted, contributions are required only when profits are made. Of course the firm should have a history of profits. Then a percentage of the future profits can be tapped over a certain and fixed base, obviating the necessity of contributions when the profits are below the base set by the employer.

There are many possible collateral benefits from such plans, for example, the stabilization of employment relations. It may be possible to establish buy-and-sell agreements between various parties by which survivors can purchase, and estates of deceased members of firms can sell, their respective interests, on some funded arrangement.

Administration of These Trusts

One of the hitherto difficult obstacles to the practicability of these plans to small businesses has been the administration of trusts of small diversification. (There is, as in the case of trusts generally, the problem of investment and reinvestment.) There has been the cost of research, which cannot be spread over a small trust. This problem now has been met in the formation of a group trust program, wherein a bank, whose services in this connection are backed by much experience, can handle many companies of small or moderate size. Under the program, the funds may be commingled as though they constituted one huge, single trust.

For some time it was not possible to offer such services because of lack of approval by the internal revenue authorities. Recently, however, the U. S. Treasury Department gave its blessing to the group trust program promulgated by Manufacturers Trust Company of New York. As its brochures declare, an organization of as few as five or ten employees can take advantage of the services offered by the bank.

*Try praising your wife, even
if it does frighten her at
first.*

—Billy Sunday

thorities, the contributions by an employer are deductible under the federal income tax law (subject to certain limitations stated in the law). 1954 I. R. C. sec. 401-404, incl. Furthermore, a trust, handling the funds and distributing the benefits, and being qualified under the law, is exempt from the usual taxes on trusts. Sec. 501. A similar advantage is provided under some of the state income tax laws.

To qualify, there are several conditions which cannot be set forth in any detail here. The plan must benefit 70 percent or more of all employees, excluding temporary and seasonal help and those who have not yet worked the minimum length of time required under a plan. The plan must not discriminate in favor of officers, stockholders, supervisory or

Flexibility Underscored as a Credit Essential To Increase Profit under Changing Conditions

WEIGHTING one factor unduly over another may cost the supplier an account, but judicious attention to the less obvious sometimes can gain a valuable customer.



C. C. MANGER

When a company's operating statement told a different story than the balance sheet, the supplier "hung his hat" on the operating statement and thereby won a loyal, profitable business.

Treating broad considerations of credit extension as well as this specific case, Charles C. Manger, credit manager of Crown Zellerbach Corporation, San Francisco, first takes exception to the use of the word "limit" because of the negative approach it implies.

"Many of CFM's readers," notes Mr. Manger, "have heard the fine presentation by J. Allen Walker, general credit manager, Standard Oil Company of California, San Francisco, which deals with the necessity of thinking positively rather than negatively. For example, we should think in terms of 'degree of currency' rather than 'degree of delinquency.' We ought to employ such terms as 'line' of credit, 'required' credit or perhaps 'check point,' rather than credit 'limit.' (Also see page 34—Ed.)

"There are times, of course, when we are obliged to restrict the dollar amount in a particular transaction," notes Mr. Manger. "This does not alter the fact that the negative approach inherent in thinking and referring to it as a 'limit' should be avoided."

Mr. Manger examines several of the more important aspects, noting the great need for flexibility to adapt to changing conditions.

1. Initial Amount Required

What does the customer need in order to function properly on your

lines? Does he need \$300 or \$3,000 or \$30,000? Obviously, if he must purchase in \$3,000 quantities in order to do a proper job for himself, and for you, yet his financial condition is such that you can grant only a line of, say, \$1,000, then you may as well forget it.

2. Subsequent Requirements

What may be his later requirements because of seasonal or other factors? For example, your customer may be selling to the agricultural trade and may have to wait for his money until the conclusion of the

FOLLOWING early education in schools in California, Pennsylvania and New York, and marriage in Honolulu, Hawaii, Charles C. Manger was graduated from Stanford University, with the A.B. degree 1935, M.B.A. 1938. A veteran of World War II, he entered the Navy as lieutenant (j.g.), was lieutenant commander when released to inactive duty in 1946, promoted to commander in 1953.

The credit manager of Crown Zellerbach Corporation, San Francisco, holds the Executive Award of the Graduate School of Credit and Financial Management, NACM, Stanford, 1954.

harvest season, when the farmers have turned crops into cash. This situation in turn will greatly influence the amount of credit to extend him.

3. Whom Does Your Customer Sell?

Another facet will be the caliber and type of firms he sells. If he is dealing with a class of trade which is stable and has a reputation for soundness such as a retail hardware store, you will evaluate your line of credit considerably differently than if your customer sells a sector known for financial instability.

4. Competitive Situation

As manifested through prevalent

sales policies and practices, the competitive situation as related to a manufacturer's production capacity and its efficient utilization from a cost standpoint has a definite effect on credit policy and thinking. The business situation of a particular time is apt to condition our thinking.

In an oversold position and in a seller's market, Mr. Manger notes, the tendency will be to be more conservative and selective.

The creditman must be sales-minded and should be able to adjust his thinking and policies to the realities with which his company is faced.

"Guarding profits" and "conservation," commendable objectives, cannot be pushed aside, but they must be tempered with reason when building sales is the order of the day. Imagination, creative thinking, and sometimes even bold action, become necessary.

5. Profit Margins

A. For the manufacturer:

There are two schools of thought as to whether profit margins for the vendor should govern credit extension. There are those who hold that a \$5,000 order is a \$5,000 order regardless of the profit in it for the house.

"In my opinion, it makes a great deal of difference whether my company has a margin of profit of 40 per cent or 5 per cent in an order. It is almost trite to say that, in two transactions with the larger margin, your house has more than covered its costs. From that point on, you are in 'gravy.' On the other hand, where the margin is only 5 per cent it will require 19 sales to bring you 'even with the board' to the point where you will not actually be out-of-pocket should a subsequent transaction end in a complete write-off. Profit margins are a very real factor to be taken into consideration and they have much to do with the liberality of credit extension, or vice versa."

B. For Customers:

Here, again, is a topic which has its champions and opponents. "Suppose we are dealing with a customer

who is somewhat marginal. Does it make any difference to you whether he will be able to realize a margin of 40 per cent on a sale, or only 5 per cent? In one case, you are helping him to strengthen his overall financial condition; in the other you may be simply abetting his 'trading dollar.'

6. Economic and Political Conditions

The fourth "C"—Conditions—has much to do with our credit thinking. "With the economy rolling along in high gear we can logically be more liberal in the granting of open account accommodation than during a depressed period. The following tide of buoyant economy will carry along business operations which lack complete financial integrity, managerial ability and the other attributes of success.

"Although it is a matter of debate what effect domestic political conditions may have on our credit action, foreign political situations loom large and important in the administration of export credits."

Financial Trend vs. Financial Position

Nothing remains static. In what direction may a customer be headed? Is he making progress or going in the opposite direction?

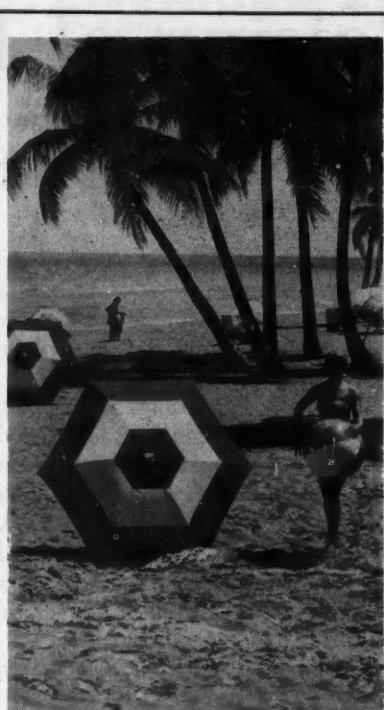
"We too often are governed by the 'net worth' approach in our extension of credit. We tend to assign undue weight to the balance sheet, and dismiss the operations statement as of relatively minor importance," Mr. Manger emphasized.

"The equity account can be extremely important, particularly in the case of seasonal businesses such as agriculture, where current and future operating results may include a great deal of the element of a gamble. On the other hand, on considering the average business firm in this country it is important that we school ourselves to lend greater credence to that statement of profit and loss," he declared.

To illustrate:

"Our sales department referred to me a potential customer (a manufacturing establishment) whose requirements of the paper we had to sell were quite substantial. Looking over his balance sheet disclosed a fair working capital position but a deficit net worth approximating \$250,000."

The operating statement told a somewhat different story. The company's month-to-month sales increase was quite pronounced, and an increas-



Ah-h! There are also coconut palms and festive umbrellas in profusion in the oceanfront parks at Miami Beach, Fla.

The 61st Annual Credit Congress, NACM, will meet at Miami Beach next year, May 12-16.

ingly substantial profit was being earned.

Therefore, "we deliberately ignored the company's equity account and 'hung our hat' on the operating statement. In the first year of our business relationship, our sales to this customer totaled approximately \$150,000, and we are currently shipping him at almost twice that rate. To date, every invoice has been discounted and he now shows a net worth which is 'in the black.' Our competition, which avoided him, would now like very much to share in his business, but he is loyal to us."

The statement of assets and liabilities often does not tell the whole story. Frequently, Mr. Manger concludes, there is another, more important, side—the statement of profit and loss.

Inflation Blocks Financing For Progress, Blough Says

To meet the heavy capital demands of expansion, "where inflation has hurt the most"—and "no industry has felt the effects of inflation more than steel," Roger M. Blough, chairman of the board of United States Steel Corporation, points out two avenues of attack on the burden of inflation:

(1) Prompt and realistic revision of the depreciation laws, to provide more adequate profits to finance replacement and expansion, and (2) substantial increase in profits, through (a) increased efficiency of operations and consequent cost reduction, and (b) as a last resort, raising prices from time to time as circumstances require and permit. "In the absence of a more realistic treatment of depreciation, there simply is no other course," he said.

The open hearth plant that cost about \$10 millions in 1930, today will cost about \$64 millions to replace, Mr. Blough told the company's stockholders. In the last 10 years alone, the company's plant and equipment costs have more than doubled.

Industry, government and the unions must assume joint responsibility for solution of the problems arising from inflation "if the interests of the nation as a whole are to be served," said Mr. Blough. Of the seemingly endless wage-price spiral: "We cannot go on forever paying more and more each year for the same article—whether it be a loaf of bread or a pound of steel."

Big Business Turning "Thumbs Down" on Native Enterprise?

Because "employers spend too much time looking for stability and conformity in a hard-driving person, broad abilities have been unintentionally curtailed, seriously hampering our industrial growth and driving the individualist into business for himself," a Philadelphia management consultant asserts.

A too-narrow policy of screening new executives, to determine whether or not they can "fit in" an organization, is more likely to lose it creative business builders and settle a company in a rut of mediocrity, according to E. A. Butler, president, E. A. Butler and Associates, Inc.

Calling attention to the situation uncovered in their activity as consultants for industry in the recruitment, classification and training of employees, Mr. Butler decries the tendency to put "a yoke" on outstanding executive ability and notes that "companies were not built by 'yes' men or graduates selling sheepskins but by men with imagination and courage, who have proven their innate abilities."

Corporate Raising of Funds By Private Placement Loans

By W. T. GRIMM

President

W. T. Grimm and Company, Inc.
Chicago, Illinois

THE fact that many companies are by-passing public sale of securities and selling their securities directly



W. T. GRIMM

to insurance companies, fraternal orders, pension and trust funds, is probably not news to many corporate heads, although the procedure is usually shrouded in mystery.

How is this done, who does it, under what conditions, and what are the drawbacks?

Direct placement sales—or private placement loans as they are sometimes called—totaled about \$3.6 billions in 1955. Most of these direct sales are arranged through specialists who bring together the institutional investor and the corporate borrower.

Industries leading the parade in direct placements are basic chemicals and allied lines, transportation (e.g., railroads), oil refining, natural gas production and distribution, gas and electric utilities. Not far behind are the manufacturers of metal products, electrical equipment, electronics, oil field equipment, chemical products and plastics, food products and finance companies.

95% Are Debt Obligations

About 95 per cent of the private placement issues are debt obligations—bonds, debentures, notes and mortgages. Preferred stock is sometimes used. About one-third of the *dollar volume* of last year's \$3.6 billions in direct placements involved securities with maturities of 10 to 15 years; of the *number* of private placements, more than half were 10-15 year maturities. A few issues will run as long as 30 years for large, well known borrowers. About half of the year's direct placement financing was

for the purpose of expansion and plant improvement. Working capital needs accounted for about 20 per cent; refunding of outstanding securities about 15 per cent.

Placements may range from \$250,000 to a few as high as \$150,000,000. To entitle a company to a minimum loan of \$250,000, the borrower should have a net worth of at least \$500,000, and a good earnings record. Interest rates vary from 3½ to 6 per cent, depending on the credit of the borrower and the money market.

Reasons Given for Growth

Direct placement of corporate securities has grown mainly because of simplicity, speed and savings in cost. Securities and Exchange Commission registration and preparation of an offering prospectus with its attendant legal and auditing expenses are avoided, not because a company may wish to avoid public disclosure, but because the law does not require such registration where no "public offering" is involved.

So far as speed is concerned, under favorable circumstances some commitments for private placements have been negotiated within a week. Armed with the assurance that its financing is obtainable on satisfactory terms, management can proceed at once with whatever plans necessitated the financing. There is no delay while waiting for a favorable rating from a statistical service or while waiting for the processing of an SEC registration statement. Important, also: there are no risks of distribution in a direct placement. Upon reaching an

informal understanding, the parties are morally committed to go through with the transaction, certain contingencies excepted, pending only completion of the necessary documents and approval by counsel.

Construction Period Factor

Another reason for the popularity of direct placements is the possibility of working out a delayed takedown of the funds, for example during a construction period. This is particularly advantageous when the construction period for a particular project extends over a long interval, and when interest charges on idle funds would amount to a substantial item of cost.

Costs on direct placements are usually substantially less than on public offerings. This is especially true of smaller loans where issuance and selling expenses expressed as a percentage of proceeds tends to be high. For example, a medium-sized manufacturer with a net worth of \$1¼ million desiring to borrow \$500,000 would probably pay around 10 per cent or more of the amount obtained, as costs of a public offering. The direct placement commission, however, would probably range from 3 to 4 per cent.

These conclusions flow from two studies made by the Securities Exchange Commission. First is the study entitled "Privately Placed Securities—Cost of Flotation" (1952), and second is the study entitled "Cost of Flotation of Issues Effectively Registered" with the SEC (1951). Here are some of the comparisons:

COMPARISON OF COST OF FLOTATION

Size of Issue (000 omitted)	Per Cent of Proceeds			
	Privately Placed Issues		Publicly Offered Issues	
	Number of Issues	Total Costs (Per Cent)	Number of Issues	Total Costs (Per Cent)
\$ -499	145	3.05	4	10.21
500-999	162	2.24	8	8.72
1,000-2,999	207	1.45	12	5.61
3,000-4,999	51	1.13	61	2.69
5,000-9,999	68	.89	72	1.91

Costs for both private placements and public issues are somewhat higher than the average for companies seeking money for the first time. From our extensive experience in this field, we find that the sort of corporations which normally use such direct financing are mainly of two sizes: the long-established larger corporation, and the medium-sized growth company, usually unknown to investors, and coming into the market for outside financing for the first time. Based on the foregoing tabulation, about 45 per cent of the private placement issues were under \$1 million, and 73 per cent were under \$3 millions. This indicates that the largest number of corporations using the private placement method are medium-sized (and smaller) corporations.

Major Qualities

From our experience, also, we have learned that institutional investors seek certain major qualities in evaluating an application for a direct loan. By and large, they want: first, to be assured of competent management in the borrowing company; second, to find a history of company profits and demonstrated ability to repay the loan; and, third, they seek some assurance that the new funds will be put to constructive use.

The role of the private placement specialist is to counsel with the issuer as to the best type of issue to meet his needs and thereafter to prepare a comprehensive report which will cover company history, purpose and terms of the loan, analysis of financial statements, calculation of investment ratios and legality status, appraisal of management and key personnel, competitive standing in the industry and long-range outlook, etc. Then we present the proposal to the proper institutional investor and negotiate the best terms obtainable on behalf of the borrower.

Strong Preferences Shown

Certain institutional investors have strong preferences for certain types and amounts of loans, representative of certain industries. Other institutional investors seek other characteristics in size, location and industry. Pension funds, fraternal orders and trusts show the same differences. There are well over 300 institutional

(Continued on page 18)

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investors in this country and in Canada, and each has its own investment policy. A good deal of the art of the direct placement specialist lies in knowing exactly which institutional investors are seeking what kinds of loans currently—and then counseling the corporate borrower on the best source of funds and the best terms.

The best terms are of major significance to the borrower. Corporate financial officers are often wizards at understanding their own financial situation, but usually don't know whether the terms offered in an institutional loan are too tight, or whether a better deal couldn't be secured elsewhere.

Factors Requiring Consideration

Not only must the borrowing corporation be counseled on the principal amount to be borrowed, but the maturity, interest rate, call prices and offering price require careful consideration. Quite often, borrowing corporations will accept sinking fund provisions on their loan which may prove embarrassing in future years—but so interested are they in the principal sum that they often overlook repayment clauses. The same applies to call prices on the issue. Fairly often, a company wants to retire a long-term insurance company loan because other sources of funds—at lower cost—have become available. To substitute one for the other may become very costly unless the insurance company loan was so set up that the call price, before maturity date, is not too high and does not provide too stiff a penalty for retirement of the debt before maturity.

The same considerations hold with regard to security for the loan. Should it be a closed or open-end first mortgage on all fixed assets of the borrower, or would a debenture serve just as well and save trustee's fees? Should the loan permit or preclude additional funded debt, or bank indebtedness? Should the borrowing corporation accept a provision that it agrees to maintain a certain specified current ratio? What about dividends? Sometimes an institutional investor may insist that the borrowing company limit its dividends to 25 or 50 per cent of net income after taxes and sinking fund payments. Other institutional investors may permit 75 per cent or more.

Other problems may arise concerning the sale of fixed assets during the

term of the loan. Some loan agreements permit such sale, others do not without the consent of the lender.

Notwithstanding these vexations and problems, corporations borrowed \$3.6 billions last year through direct placements, so evidently these problems have answers.

Of course the stray thought must occur to the reader that private placements cannot be this good. There must be some basic drawback, some handicap, some imperfection—otherwise 100 per cent of our corporate financing would be private placements, instead of only one-third falling into this class.

Legally Restricted

To begin with, most institutional investors are legally restricted as to their investment in equity securities. For this reason most common stock issues must go to the public. Then, too, on debt issues, some types of

The accompanying article on the raising of corporate funds by private placement loans, or direct placement sales, is presented as a service of information regarding a form of financing used in the sale of securities directly to insurance companies, fraternal orders, pension and trust funds.

The author is W. T. Grimm, president of W. T. Grimm & Company, Inc., investment consultants, Chicago. His article was prompted by queries received by his company from controllers and treasurers regarding methods of borrowing long-term funds.

borrowers such as public utilities and railroads are required, by law if not by public opinion, to sell their debt securities at competitive bidding. These therefore go to the public also. All this tends to explain why not all 100 per cent of our corporate financing is private placements.

The drawbacks to private placement—if they are drawbacks—often appear in loan covenants. Fiscal officers might well weigh the effect of them on their own situations. For example, in every direct placement loan agreement is a summary of terms and conditions to which the borrower agrees to adhere so long as the issue remains outstanding. Whether these covenants are likely to be burden-

some or not must be decided by each corporation for itself. For example; the borrower often agrees, *after giving effect to the loan:*

(a) to maintain working capital equal to 150 per cent of the amount of the loan;

(b) to maintain current ratio of 1.5 to 1 or 2.0 to 1, depending on the type of business represented;

(c) not to merge or sell substantially all of the assets without the lender's consent;

(d) to restrict dividends to earnings subsequent to the date of the loan; and

(e) not to pledge any accounts receivable or other current assets to secure bank loans.

Covenant Can Be Modified

These are typical terms for the average medium-sized industrial corporation. They may be burdensome—perhaps more restrictive than the terms of the average public debt issue. While a direct placement loan can normally be designed to meet the specific requirements of each borrower, the basic loan covenants will not be too far removed from those just cited. However, after a loan is made, any specific covenant in a private placement can always be modified more easily than a similar change can be made in a publicly-sold issue.

Funds borrowed and profitably employed provide earnings leverage on outstanding common shares. Debt securities are the cheapest to service since the interest cost of the money is deductible before calculation of Federal income taxes; but every dollar borrowed must be repaid when due. The repayment date might come at an inopportune time. To avoid any such difficulties, almost all direct placement loans are repayable in moderate, equal, annual payments during the life of the loan.

Preferred Issues Increase

Not all direct placement issues are debt securities. An increasing number of preferred issues has been used in the last few years. Most of these preferreds have sinking funds which will retire the issues in 10, 15 or 20 years. In utilities, the sinking fund retirement may run out to 35 years. The disadvantage of a preferred is the relatively high carrying cost, which requires roughly \$12 of pre-tax earn-

PRESIDENT W. T. Grimm heads the financial consultant company bearing his name and specializing in negotiation and placement of long-term loans with institutional investors. With headquarters in Chicago, the company also maintains offices in Los Angeles and representatives in other leading cities.

Mr. Grimm formerly was associated with Kidder, Peabody & Co., and earlier with the First Boston Corporation. Graduate of Northwestern University, he is a member of the Investment Bankers Association and the National Association of Security Dealers.

ings per share to pay a \$6 dividend. The advantage is that a larger equity base is obtained upon which more debt issues could be placed. A default in the preferred dividend would not have as serious consequences as a default in interest, hence equity financing has its attractions.

In summary, it might be said that for companies which are aware of the facts and still prefer debt financing—as most of them do for a variety of reasons—private placement financing offers an efficacious, low-cost route to necessary funds. The principle which specialists in this field emphasize is this: long-term loans are based on earnings power rather than the value of fixed assets. If a company can meet that test, it is eligible for all forms of private placement financing.

Kemper Says OTC Would Usurp Prerogatives of the Congress

James S. Kemper, chairman of Lumbermen's Mutual Casualty Company, does not like GATT or OTC.

"Our Congress wisely refused to pass GATT. But the theorists worked on and now have come up with the Organization for Trade Cooperation which, if enacted, would have the effect of legitimatizing GATT. The OTC would determine which products we could export or import and in what quantities. It would usurp the prerogatives of Congress, and it would be a step of the first magnitude toward a superstate and away from the cherished liberties granted by our Constitution."

The insurance executive spoke at Miami University, Oxford, Ohio.

"Do you mean to tell me —?" the President began . . .



The President takes a second look

"As I see it, then—" the President began ticking points off on his fingers—"the customer's credit rating is in a low bracket. Under the terms of our policy with American Credit Insurance, this gives us a relatively low coverage. This, in turn, doesn't warrant our shipping the order. Is that right?"

"That's right, sir," The Credit Manager replied, with assurance. "You see, in the policy, a schedule of ratings and coverages is established. A certain rating—a certain coverage. It's automatic."

"Then why," the Sales Manager demanded almost truculently, "do we have credit insurance at all?"

"Accounts Receivable," said the Treasurer, "represent our second largest asset. We want to protect it. Credit Insurance keeps our loss ratio low."

"That's true, sir," the Credit Manager put in. "We have decreased our loss ratio these last few years through our coverage by American Credit Insurance. And up till now—" he couldn't suppress a note of bitterness as he glanced at the Sales Manager—"we have been able to increase sales in areas we couldn't have touched before."

"Yeah," the Sales Manager said, "but what it comes down to is that we lose the order. I say we ought to take a chance!"

"It's not a chance. It's a gamble," said the Treasurer.

"That settles it." The President put a real note of regret in his voice as he finished: "Since we can't take the chance, we'll have to lose the order."

"It's almost time for the Board Meeting. We'd better go," the President said ten minutes later. "Most of the others will be there by now." He held the office door as he and the Treasurer filed out. "What do you think of those two?" he asked as they walked down the corridor.

The Treasurer smiled his neat little smile. "A good Sales Manager's got to be willing to gamble. A good Credit Manager's got to be willing not to. It takes courage for both."

He pushed open the Board Room door, then both men turned as rapid footsteps echoed in the quiet corridor.

"I'm glad I caught you," said the Credit Manager, speaking to the President. "I'd like to ask you to reconsider the decision on that account."

"Do you mean to tell me—" the President began, but the younger man went right on, while others in the Board Room turned to watch the tableau at the door.

"I decided to take a second look at our policy. Then I called our American Credit Insurance agent and confirmed it. The account can be covered for more under our policy. All we do is obtain an endorsement, approving the account by name. After they investigate it, of course. All I need now—" the Credit Manager paused for breath—"is approval to pass the credit when the endorsement is obtained!"

"You - decided - to - take - a - second—" the President spaced out his words, then suddenly chuckled. "Well, I guess I can take a second look too! You've got the approval!"

Obtaining greater coverage on a low-rated account is one example of the flexibility of American Credit Insurance. Among the 12 major benefits of Credit Insurance, many more are sure to accrue to your advantage. For your copy of a free booklet, "A Preface to Profits," write American Credit Insurance, Dept. 47, First National Bank Building, Baltimore 2, Maryland.

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COMPANY OF NEW YORK

WORKING CAPITAL — — A KEY TO CREDIT

Part II — — Sources of Working Capital and Management of It

By P. M. CHIUMINATTO
Secretary and Treasurer
Charmin Paper Mills, Inc.
Green Bay, Wisconsin

IN the August issue of *Credit and Financial Management* we discussed our concept of working capital and the three general methods of determining how much of it we need in a business. Now we come to this important point: where do we get the capital we say we need to operate the business at the present level of sales or at an anticipated higher level?



P. M. CHIUMINATTO

This is where we as credit managers come in because we many times are asked to supply part or all of the credit, or our customer looks to us for help and guidance as to where he can get it if it is beyond our capacity.

In order properly to advise our customer or determine how far we can go with him, we must go back to the original concepts of working capital:

(1) The difference between the current assets and the current liabilities.

(2) The total capital needed in the business.

We must do this because the source of funds available for each of these sections of working capital is entirely different. For expediency's sake, let us call them the fast-moving assets and the slow-moving assets. The slow-moving assets have to be provided by the

Stockholders, bondholders, long-term loans, retained earnings, depreciation.

These are the only sound sources available because the funds are to remain permanently in the business. To raise these funds in any other manner, such as short-term bank loans or from customers through ac-

counts payable, would be asking for trouble.

You cannot finance slow-moving assets with fast-maturing obligations. If your analysis of the situation indicated that the shortage of working capital existed in this category, that is, slow-moving assets, you would be doing the account a disservice to extend him further temporary credit in the way of additional merchandise.

If the customer cannot follow your advice on how to finance long-term or slow-moving assets, because the stockholders do not want to put more money in the business and he cannot sell bonds because of his financial condition, or because of the size of his company, or if long-term loans are not available for the same reason, there are still two things you can tell him to do to obtain long-term money:

1. Lease Instead of Purchase

He can lease instead of purchase some of his fixed assets or any other asset which lends itself to this form of financing.

For many companies, the relative advantages of buying versus leasing have shifted markedly in recent months.

Now is the time for them to bring their policy up to date, or give it consideration if it has not been brought to their attention, for two reasons:

(a) More and more kinds of industrial and other equipment are becoming available on lease arrangements.

(b) The 1954 Tax Law permits new and rapid depreciation methods. As a result, more of the initial price of a purchase can be recovered faster, tax-free, thus reducing the risk of buying.

However, any final decision must obviously be based on the answers to the following two questions, even though their relative value to any individual company will vary:

(a) How will it affect the company's cash position right now?

(b) How much will it cost in the long run?

The final answer lies in the answer to these eight questions:

In this second and concluding instalment of his study of "The Creation and Control of Working Capital," Mr. P. M. Chiuminatto discusses determination of sources and how to manage it and help the customer conserve it.

In the August issue Mr. Chiuminatto presented his concept of working capital and how to estimate the amount required for current operation and future expansion.

- 1—What are the rental fees?
- 2—What are the installation charges?
- 3—What is the cost of service and maintenance?
- 4—What is the charge for insurance?
- 5—What is the cost of capital?
- 6—What tax savings are possible?
- 7—What is the annual depreciation and the real loss in value as the equipment gets older?
- 8—What is the true net cost after taxes?

Regardless of the real merits of buying or leasing, many firms decide to lease for one all-important reason: it is not necessary to lay out cash. If this is your customer's problem, and he does not want to lease, there is another solution available: he can finance the purchase through a secured bank loan, or he can purchase the equipment on the instalment plan.

2. Sale and Leaseback Plan

There is another avenue you can advise him on, and that is called the "Sale and Leaseback" method of financing. Under this proposition one sells some of his fixed assets, or any other asset, and then leases back from the purchaser.

This results in an immediate lump-sum increase in working capital represented by the proceeds of the sale at its current high market value, less the tax, frequently at capital gain rates on the profits realized.

There is a substitution of a rental

deduction higher than the otherwise available depreciation deduction.

Let us take an example:

Building purchased in 1920 for	\$40,000
Now worth	\$80,000
35 years old, so fully depreciated sound value on the books	Nothing
Company needs \$40,000 additional working capital.	
No one will loan over 50% of the value, or possibly \$40,000, and this is not enough.	
Sell the building for \$80,000.	
Profit is \$80,000, because it has been fully depreciated, but after a capital gains tax of 25% (\$20,000) the net proceeds (\$60,000) available for the business.	
At the present time you are getting no tax deduction for depreciation, but you would get a deduction for the rent to be paid to the purchaser.	

If purchaser demanded 6% rent, that is only 3% after taxes and is about equal to the depreciation taken in past years, so the net cost is no greater and there is an extra \$60,000 in cash with which to operate the business.

So much for providing the fixed working capital for a business.

The general conclusion is that you do not have much choice because you have to get money that will stay in the business a long time. It has to be money which can be repaid only out of earnings and possibly partly out of unused depreciation.

For the Fast-Moving Assets

On additional working capital for the fast-moving assets of the business, we have many more avenues of approach and many more possibilities. The normal avenues are:

Suppliers and dealers through accounts payable. We should extend more credit, all things being equal.

Short-term bank loans for short-term needs.

Retained earnings if needed.

Minimum original needs from the stockholders.

After these avenues have been exhausted and there is still need for additional short-term capital, there are other places to turn:

Commercial Finance Companies. Financing arrangements with a commercial finance company are usually on a secured basis, involving the sale or assignment of accounts receivable or the pledge of inventories, or both. Periodical liquidation is not usually required, and loans outstanding may be fairly continuous over long periods of time against revolving security.

Factoring. Factoring is a specialized type of privately owned commercial finance companies that engage

Until easy credit payments came along, an inside straight was the hardest known thing to complete.

—Anonymous

in the business of purchasing accounts receivable without recourse on the seller for credit purposes.

Commercial Paper. To supplement the use of direct bank credit, or for other valid reasons, a fairly large, well established business may elect to finance some part of its seasonal or temporary working capital requirements in the open market by selling its short-term unsecured notes to a commercial paper broker.

Small Business Administration. This used to be the Reconstruction Finance Corporation. They will give a direct loan to the company or make an indirect loan through a bank which assumes part of the risk. Such funds are available only if investigation shows the business is entitled to credit but is unable to obtain its requirements through normal channels.

Field Warehousing. Rather than continue to tie up large sums in inventory, more and more firms are turning to field warehousing. Particularly where sales are seasonal, companies find this a good way to provide for sustained production throughout the year. Under this form of financing, inventory can be used as loan collateral, while the goods remain on the borrower's premises. Since a bonded field warehousing concern takes legal custody of the inventory, banks and other lenders which otherwise could not handle these loans are now able to do so.

Other Avenues Possible

Other avenues to be explored in the real hardship cases would be:

Pledging of collateral by the business or officers or directors or partners.

Indorsements and guaranties of officers or directors.

Subordination of debts due the principals or officers.

Special dating on invoices.

Asking for advance payments on

(Continued on page 32)



CREDIT INSURANCE guarantees continued protection from the time your merchandise becomes an accounts receivable until the time the account is paid.

For further information about this and other aspects of London Guarantee's "blanket coverage" Credit Insurance, phone or write our credit department. A London Guarantee Representative will show you how credit insurance can safeguard your company.

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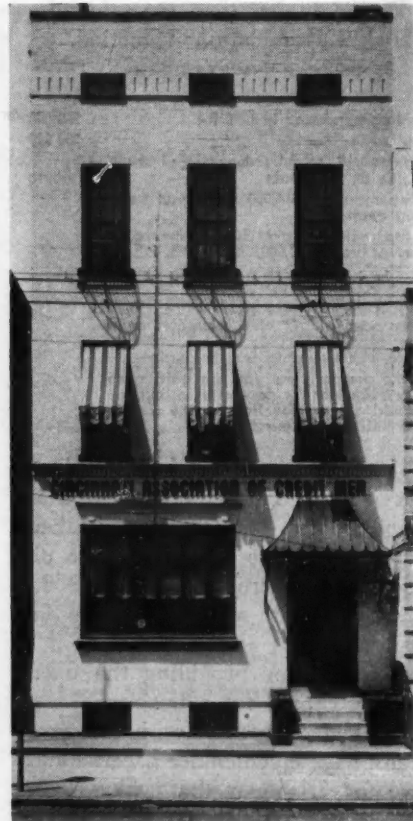
OVER HALF A CENTURY OF CONTINUOUS SERVICE IN CREDIT INSURANCE



BRISTLES at Bristol. Paul J. Viall, treasurer, Chattanooga Medicine Co., immediate past pres. NACM, gingerly investigates centennial beard of Stuart R. Reid, Mitchell-Powers Hardware Co., Bristol, Va., pres. Appalachian Assn. Fred C. Newman, King Bros. Shoe Co., Bristol, Tenn., is taking no chances. Mr. Newman headed the arrangements committee. Mr. Viall told the dinner session that "the upward movement of our economy will continue."



OFFICERS of the Northwest Council which will convene in Portland, Ore., March 20, 1957, on the eve of the Pacific Northwest Conference: (l to r) J. T. Shepler, Dohrmann Hotel Supply Co., Portland, president; O. J. Ostlund, The Bank of California, N.A., Tacoma, v.p., and A. L. Reed, Dairy Cooperative Assn., Portland, secretary. Mr. Shepler is immediate past pres. Portland assn., Mr. Reed is a newly elected vice president of the Portland credit men's organization. Mr. Ostlund is past president of the Tacoma Association of Credit Men. Henry H. Heimann, NACM executive vice president, will address the conference banquet March 22nd. The two-day Conference will get underway on March 21st.



WHOLLY OWNED by the Cincinnati Association of Credit Men is this building at 1207 Elm Street. When the structure was bought in 1952 the renting out of some of the space was considered. Not so. The first floor is used by Association, the collection department and adjustment bureau. Credit Interchange and Group Services take all the second floor. There is a basement meeting room, also a fully equipped kitchen, serving the association's employees for their lunch periods. Industry Groups also use the meeting room for their regular sessions. The Cincinnati association, Harry W. Voss, secretary-manager, was host to the 60th Annual Credit Congress.



AT Connecticut State Conference: (l to r) Prof. Raymond Rodgers, New York "U" Graduate School, on faculty of NACM's Dartmouth Graduate School; L. K. Morse, Bridgeport Brass Corp., NACM director; W. S. Ives, Connecticut Bank & Trust Co., president Hartford assn. and conference chairman.



NEWT BARTLE NIGHT at Syracuse association, with 21 past presidents of association and Women's Group also honored: (l to r) Frederick L. Van Epps, Gould Pumps, Inc., immediate past president; Secretary Bartle; Ralph M. DeGillo, Syracuse Supply Co., president.



WINNERS of Tri-State trip to Mexico: Carmen Pinon, Wilson & Co., pres. El Paso Credit Women's Club, and (right) Genevieve Haddad, staff, with J. L. Vance, secty.-mgr.

Pictorial News of Credit and Finance



MEMBERS of the board: Spokane Merchants Association. Front row (left to right): B. J. Warren, association president; S. J. Haider, NACM vice president, staff; Milton Tschache, association first vice president; Maurice Gibbons, trustee. In the back row are (l to r): T. P. Nau, trustee; Ray Bartroff, trustee; J. S. Mudge, past president; L. W. Rucker, trustee.



NEW LEADERS, Wholesale Credit Women's Group of Birmingham: (l to r) Mrs. Louise Woodward, Birmingham Paper Co., 1st v.p.; Mrs. Wynell Kelley, G. S. Dowdy Candy Co., 2nd v.p.; Mrs. Hazel Miller, American Credit Indemnity Co., pres.; Mrs. Ora Humphrey, Hinkle Supply Co., recording secty.; Mrs. Sophie Davis, Pate Supply Co., treas.



60TH ANNIVERSARY, St. Louis Association. Seated (l to r): P. J. Wilder, Century Electric Co., 1st v.p.; S. M. Cole, Ralston Purina Co., director and past pres.; A. F. Gerecke, Pulitzer Publishing Co., immediate past pres.; R. E. Brown, Marsh & McLennan, v.p. NACM central div.; Mrs. Evelyn Meints, R. E. Funston Co. Standing: F. J. Schaefer, Silgo, Inc.; J. F. Schofield, secty.-treas.; V. C. Eggerding, Gaylord Container Corp., NACM past president, and Joe Vallero, National Auto Supply Co., association president.



50TH ANNIVERSARY banquet of Southwest Texas Wholesale Credit Men's Association: (l to r) Reverend Vernon Mohr and Mrs. Mohr; W. L. Holmes, immediate past vice president, southern division, NACM; Mrs. and Mr. George O. Stone, local association president; Leland Austin, director.



Legal Rulings and Opinions

Convention Trip Deductible

CFM readers have raised the question whether convention expenses are deductible in the income tax statement. Under the 1954 Code it is provided that "expenses incurred in attending business conventions are deductible as ordinary and necessary business expenses."

In the recent case of Rita M. Callinan, 12 TCM 170, Dec. 19,472 (M), a legal secretary, member of the National Secretaries Association, had deducted as business expense the sum of \$400 incurred for transportation, lodging, meals and incidentals, exclusive of personal entertainment, in attendance at a convention of the association. The by-laws of the group state its purpose to be "to elevate the standards of the secretary's profession by uniting for their mutual benefit women who are engaged in secretarial work." A convention is held annually to carry on the business of the national organization.

The Commissioner conceded the issue, stating he could see no distinction between the subject case and others involving lawyers, doctors and teachers who had been granted the deduction under the law. It was not disclosed whether the taxpayer was self-employed or not. The subject case does not set forth a rule on the subject but it does indicate that membership in a business organization entitles the individual to a business expense deduction for expenses incurred in attending the organization's annual convention, whether he is self-employed or an employee.

Dealer's "Reserve" Upheld

An amount held on "reserve" by a finance company is not income to the dealer, Appeals Court held in reversing the rulings of the Tax Court and the Commissioner that the credits to reserve were accrued income.

Mr. Johnson sold trailer homes (personal property). In a credit sale the purchaser gave him a down payment, note and chattel mortgage. He discounted the note with one or another finance company. Terms were similar on each transaction. Mr. Johnson received his sales price less

percentage (usually 5%) of unpaid balance. That percentage of unpaid balance retained by the finance company was credited to a dealer reserve account in Johnson's name. Notes which later became delinquent were charged against reserve; when reserve account balance exceeded 10% or 15% of total paper outstanding, depending upon the finance company, Johnson received the excess in cash.

He reported credits to reserve as reduction of sales price and reported later cash payments as other income. On the Tax Court ruling he appealed on the ground that credits to reserve were non-accruable because his right to receive anything from reserve was contingent. The Fourth Circuit Appeals Court held that the trailer sale and note sale were integrated and that Mr. Johnson did not take a deduction when delinquent notes were charged to reserve and so no double deduction was involved.

Don't put it off until tomorrow. Tomorrow there may be a law against it.

—Anonymous

Bank Stamp Influence

In the case of a forged receipt, a stamp, "Pay to the order of any bank, banker or trust company," placed upon a warehouse receipt does not make a bank liable to a subsequent holder of the receipt. [*Bank v. Bigler-ville National Bank*.—F. Suppl. (E. D. Pa. Aug. 2, 1955)]. The ruling was by the U. S. district court, eastern district, Pennsylvania.

A warehouse receipt for whiskey was security for a \$15,000 note sold to the defendant bank by an acceptance corporation. Before the Federal Reserve Bank presented the note the acceptance corporation paid the amount directly to the defendant, which directed the Federal Reserve Bank to return the note and receipt to the corporation.

Later the acceptance corporation delivered the warehouse receipt to the plaintiff bank as collateral for another

note. This note was not honored, the acceptance corporation became bankrupt, and the warehouse receipt was found to have been forged. The plaintiff bank sued the defendant bank basing its claim on the stamp, followed by the defendant bank's name, and on a provision of the Uniform Warehouse Receipts Act stating that a person who negotiates a receipt warrants that it is genuine. The court said the receipt had not been negotiated by the defendant, that the bank stamp was somewhat inappropriate for a warehouse receipt, that even assuming it could be called an indorsement it would have no greater effect than on a check or note.

High Quality Consumer Credit Basic to Economic Health: ABA

A policy of "controlled flexibility" is demanded in the current period of tightening credit conditions, if the consumer credit industry, "one of the important cogs in our distribution system," is to be kept healthy, observes the instalment credit commission of the American Bankers Association. "How serious would be the shock to the economy resulting from deceleration in the rate of rise of personal debt" is a thoughtful question put by the commission in its bulletin, "Timely Notes on Instalment Credit."

Although instalment debt is under "reasonably good control," the association directs attention to some elements of imbalance, such as accumulating inventories. With automobile dealer inventory of new cars estimated at the time in excess of 950,000 units, despite a 20 per cent lower production, the lack of the usual seasonal spring sales to materialize had intensified the situation. "In a market which accounts for better than 50 per cent of total instalment credit, this situation can create a real problem to dealers and bank lenders, particularly when floor-plan financing is involved."

Many believe the five-year property-improvement loan terms proposed in amendments to Title I legislation "will place an increasing strain on the loan limits of many small commercial banks." Maximum terms have a habit of becoming minimum terms, notes the commission, of which Carl A. Bimson, president, Valley National Bank, Phoenix, is chairman.

Bugbear of Copy Shortage Is Routed When Automatic Unit Is Installed

TO write off a "perennial problem" of office operation is always a cherished objective of executives, particularly where labor and time are vital elements. In many firms the most pressing bugbear today is lack of sufficient copies of the various communications and documents needed to satisfy all parties or departments concerned. Business operations lag while waiting for the requisite copies to be turned out by typists or reproduced outside. At Intercontinental Credit Corporation, New York, as in many other progressive companies, the problem has been met with a Cormac desk photocopying unit.

Intercontinental Credit Corporation for years has specialized in export and import financing. It also handles a good volume of domestic business (about 50 per cent of the total). The greater part of the export financing is done with Latin-American countries, the remainder with Western Europe and Africa. Volume last year was in low eight figures, and this year's is running well ahead. Advances are made against accounts receivable, trade acceptances, warehouse and trust receipts, and the like. One of the operations is the financing of foreign distributors of United States manufacturers without recourse to the manufacturer.

"We handle a vast amount of documents (shipping documents, contracts, etc.) in our daily operations," notes John G. Ziegler, vice president and treasurer of Intercontinental Credit Corporation. "Before we installed the Cormac desk photocopier, we had to send out for required photocopies or had to request additional copies from forwarders or manufacturers. This could delay the sending out of documents by a day or so, which can be quite serious, particularly in the case of shipping documents."

The Cormac desk photocopier quickly reproduces exact originals of typewritten or printed documents. A negative paper is exposed to printed matter to be reproduced. It is then transferred by photographic method to a positive sheet, which is the finished copy. The operation is "dry"



CORMAC desk photocopier is used in office of Intercontinental Credit Corporation, New York City, to turn out any number of copies required to satisfy the parties in a financial transaction. The self-contained unit of Cormac Industries is completely automatic and reproduces exact "originals" of typewritten or printed documents in a matter of seconds. Besides the savings in time and secretarial labor, proofreading is eliminated and errors in typing are avoided.

and takes about 30 seconds. The self-contained unit is completely automatic and runs on 110-volt current. No experience is required to operate it.

"The saving of secretarial time and cost by the availability of the photocopier is considerable," comments the finance corporation executive, noting some of the specific uses to which the five girls in the office have put their Cormac photocopier:

Letters: Our clients often require copies of correspondence originally sent to our company. We want them to have copies, but the originals must remain in our files. The minutes of our corporation meetings also are swiftly distributed, while the original file remains with us.

Documents: Certain guaranties and legal forms must be kept in our safe. The photocopier permits us to maintain duplicate copies of these documents in our open files for ready access by personnel working on the accounts.

Cross References: Instead of making a notation in one file to the effect

that a certain piece of correspondence can be located in another file, we simply make a duplicate and place one copy in each file. This system puts all the information at our fingertips and we avoid the maze of cross references.

Foreign language correspondence: We receive many letters from abroad in the language of the country. Typists have difficulty copying letters they do not understand. The Cormac solves that problem.

Bills of lading: Forwarding agents, who prepare import-export bills of lading, sometimes fail to send enough copies for both our needs and to meet federal shipping requirements. Now we need not wait for additional copies from the forwarder; we produce duplicates in our office and send the requisite copies to the pier or through Customs.

Although specific time or cost studies have not been made, Mr. Ziegler points out that "it is the unanimous opinion of the staff and officers that the Cormac photocopier has become a really indispensable aid."

in commerce

Trends

in industry

in finance

Thrift vs. Spending Spree

CONSUMER credit, growing at a tremendous pace in this "greatest spending spree in our history, surely must be kept within reasonable bounds in a healthy economy," and the training in thrift afforded the four million children in the school savings program can mean much, in that regard, to our national economy, the national school savings forum of the American Bankers Association was told by Henry H. Pierce, Jr., bank commissioner for the State of Connecticut.

New Style Mortgage Loans

A NEW nationwide syndicate of mortgage companies offers investors the functions of a home office mortgage department to facilitate such investments for foundations, trusts, pension funds and other investors. Activities of Investors Central Management Corporation are limited to handling home mortgages insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

"Brainstorming"

STUDY of the technique of "brainstorming" brought plant managers to a new course at the University of Wisconsin to learn how to organize programs for mass production of ideas, however "wild," from employees, to find the best suggestion for solution of a single problem, such as reduction of absenteeism or recruitment of workers. No participant is permitted to pass judgment on the ideas presented by others. It's all creative.

Where There's a "Squeeze"

DEVELOPMENT MONEY—almost a fifth of a billion dollars—has been raised in the United States since December by provinces and principal

cities of Canada because the increases in interest rates were not so drastic on this side of the border. Five provincial governments, by private transactions or public offerings by syndicates, have incurred sizable indebtedness repayable in U. S. dollars.

At the same time, the home building industry in Canada was protesting the latest of four actions in eight months that raised to 3 per cent the rate of interest on loans to chartered banks.

Despite denial of a "credit squeeze" by J. E. Coyne, governor of the Bank of Canada, members of Commons were muttering that the general prosperity was not being shared by the building industry because banks were not lending for house constructions.

Nothing causes a man to go into debt faster than a small raise.

—Anonymous

No "Ifs" in Gifts

EIGHT-POINT guide to financial aid requests to corporations by seven privately supported universities calls for unrestricted donations without hidden costs and with guaranteed freedom of teaching and research. Here are the principles enunciated:

(1) Colleges and universities have a deep obligation to society and (2) a duty to apprise corporation executives of their purposes and operations; (3) unrestricted gifts are the most useful; (4) no hidden cost should be imposed; (5) corporation gifts for other than advancement of learning through independent teaching and research should not be accepted; (6) Colleges and universities can operate scholarship programs more effectively than corporations; (7) equipment gifts should not be

tied to advertising programs; (8) corporations should receive public acknowledgment of their gifts.

The seven universities: Columbia, Cornell, Harvard, Princeton, Stanford, Yale and the University of Chicago.

Preparation for Retirement

FAVORING flexible retirement instead of compulsory stepping down at 65, Joseph J. Morrow, director of personnel relations for Pitney-Bowes, Inc., declares industries must accept a share of responsibility for preparing employees for retirement.

How?

"By looking at the work qualifications of older job applicants rather than their birth certificates; by making good pre-retirement counseling a strong plank in the industrial relations platform; by establishing pension plans which are as generous as is practical; and by continuing to utilize what the older worker has to give as long as he is able to give it."

43 Countries Helped

TENTH ANNIVERSARY of the International Bank for Reconstruction and Development shows 43 countries aided with \$2.645 billions in loans extended on a business basis. The largest loan to date was \$80 millions for a dam and hydroelectric plant in the Federation of Rhodesia and Nyasaland; the smallest, \$252,000, financed a structure for transmitter equipment in Iceland, for North Atlantic air traffic.

The World Bank had offered \$200 millions in a loan toward the \$1.3 billion projected High Dam at Aswan in Egypt, complicated now by Russia's offer of aid in its aim to blanket Egypt in the Communist orbit, and the Suez Canal altercation.

Ernest A. Fouletad

Guides to Improved Executive Operation

KEEPING INFORMED

HOW TO START A PHOTOGRAPHIC

SERVICE DEPARTMENT and how to operate it efficiently—A new data book issued by Eastman Kodak Company for the executive wanting to know more about the advantages of such a unit within his organization. Equipment, personnel, space requirements, amortization are some of the topics considered. Other services of the department, such as photocopying, pictorial library, negative filing and house organ photography, are described. Obtainable at any Kodak industrial dealer. 50 cents a copy.

BETTER BUSINESS BY TELEPHONE—

Companies alert to the efficient use of the telephone in their business operations will be interested in this regular bulletin service to improve telephone methods. Why and how to collect by telephone, employee training, replacing 'lost' customers, telephone training for salesmen are among subjects of reports. For free sample bulletin and details, write Boyce Morgan Associates, Inc., 1800 H Street N.W., Washington 6, D. C.

THE VARIABLE ANNUITY—Dr. Arthur

Uppgren, of the faculty of the N.A. C.M. Graduate School of Credit and Financial Management, discusses annuities which fluctuate with the stock market quotations. Write Dean Arthur Uppgren, Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. H. Free.

STOCK MARKET ACTIVITY—A 52-page booklet containing detailed data on public transactions on the New York Stock Exchange for two-day periods in each of the last several years, showing investor motives; percentages of transactions by men and women; breakdowns of volume between investment and speculation; geographic distribution of purchases and sales by
(Continued on page 38)

Informative reports, pamphlets, circulars, etc., which may be of interest to you. Please write directly to the publisher for them. CREDIT AND FINANCIAL MANAGEMENT does not have copies available.

To expedite receiving booklets described below in this column, address all inquiries concerning Efficiency Tips to CREDIT AND FINANCIAL MANAGEMENT, 229 Fourth Ave., New York 3, N. Y.

EFFICIENCY TIPS

532—What the Certified Professional Secretary Program is, explained in a leaflet directed to the businessman by the sponsor, National Secretaries Association. Program objective is to place secretarial work on a professional level.

533—"Facts at Your Fingertips," the Heinn Company's booklet for catalog planning and manuals, gives special attention to covers. We shall be glad to obtain a copy for you.

534—New brochure of DITTO, Inc. describes uses of their Offset Duplicator for "push-button" reproduction of halftones, color, line cuts and forms. Free; for copy write us.

535—"Record Trends—No Manual, No Control," brochure of Record Controls, Inc., tells how to manualize, lists advantages to an organization in manualizing records-work routines.

536—Payroll Tax Computer, the Calculator-D, for quick "window" readings of accurate FICA and withholding tax deductions on a single line, is described in a folder of the Ayers Corporation. For copy, write us.

537—"Speeding Executive Work," 12-page booklet contains a case history report on modern executive work methods with the Thomas A. Edison handy Voicewriter dictation-transcription instrument. We shall be glad to obtain a copy for you.

538—Inventory Control for Manufacturers—How It Balances Stocks and Reduces Costs, is described in a comprehensive, illustrated 16-page brochure of Remington Rand, Inc. Explains how Kardex visible system exercises control. Write us for your copy.

BOOK REVIEWS

EMPLOYEE RELATIONS HANDBOOK—

By John Cameron Aspley. \$12.50. The Dartnell Corporation, 4660 Ravenswood Ave., Chicago 40, Ill.

• A complete and practical guide to employee relations procedures, methods and policies, based on studies of employee relations problems in more than 2,000 firms, the Handbook provides answers to hundreds of questions on almost every aspect of employer-employee relations. It contains innumerable illustrations of forms, outlines of manuals . . . 69 sections, 1,390 pages. An indispensable aid to anyone responsible for personnel and employee relations.

STANDARD HANDBOOK FOR ACCOUNTANTS—by J. K. Lasser. \$15.00.

McGraw-Hill Book Company, 330 West 42nd Street, New York 36, N.Y.

• A very complete and authoritative reference book and manual of organization, procedures, and thorough coverage for all phases of the accounting profession. In a practical manner it covers interpretation of all accounting information and is an encyclopedia of auditing, cost control, accounting management, system design, forecasting and operation of the accounting office. There are 56 authorities of accounting beside Mr. Lasser, who have contributed to the completion of this handbook.

PROBLEMS IN BUSINESS ADMINISTRATION—(Analysis by the Case Method)—By Thomas Cicchino Raymond. \$5.50. McGraw-Hill Book Company, Inc., 330 West 42nd St., New York 36, N. Y.

• This distinctive new casebook covers a wide variety of problems in the management of a business, with necessary data for effective analysis and
(Continued on page 38)

Books reviewed or mentioned in this column are not available from CREDIT AND FINANCIAL MANAGEMENT unless so indicated. Please order from your bookstore or direct from the publisher.

ON THE Personal Side

VICTOR T. COVINGTON has been appointed credit manager, American Enka Corporation, Enka, N. C. He formerly was with Second Bank-State Street Trust Company, Boston, as assistant treasurer, then loan officer. Earlier he was at the Freeport Sulphur Company. He is a graduate of the University of Alabama and Harvard Graduate School of Business.

PETER J. CUDDY has been named a vice president of Manufacturers Trust Company, New York. He started his banking career as creditman with National City Bank of New York and went with Manufacturers Trust in 1929, becoming assistant secretary in 1941, assistant vice president in 1949. He has for several years been an instructor in advanced credit problems at the New York Institute of Credit. Mr. Cuddy is a member of Robert Morris Associates and the New York Credit & Financial Management Association.

MILO A. HEFFERLIN has been promoted to manager, international banking department, Bank of America NT & SA. He formerly was assistant vice president of the bank in San Francisco and now will have his headquarters in Los Angeles. Mr. Hefferlin holds the Executive Award of the Graduate School of Credit and Financial Management, NACM, and in 1955 he was Stanford recipient of the American Petroleum Credit Association Award.



E. G. CARLSON



C. E. DAVIS

EDWIN G. CARLSON, since 1953 assistant secretary and assistant controller, also credit and office manager, Croname Incorporated, Chicago, has been named secretary and assistant controller of the company. **CHARLES E. DAVIS**, formerly assistant credit manager, succeeds him in the credit manager post.

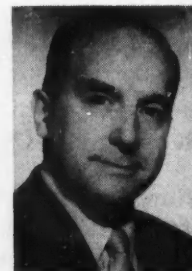
Mr. Carlson began with Croname in 1935 in the billing department, advancing to credit manager in 1937. In 1944 he added the responsibilities of office manager and, since World War II, also as contract termination manager. He has served as director of the Chicago Association of Credit Men, vice chairman western credit committee, Radio Electronics Television Manufacturers Association, and general chairman, credit committees of RETMA.

Mr. Davis attended Indiana University (B.S. 1950) and Northwestern University. Prior to joining Croname in 1955 as assistant credit manager he was accountant, auto insurance underwriter, Motors Insurance Corporation, then cost accountant, MacLean-Fogg Lock Nut Company.

HENRY J. GALLE has been promoted from credit manager, Minneapolis branch, to general credit manager and assistant treasurer of Butler Brothers, in the Chicago headquarters. He succeeds W. H. Marshall, who retired after 38 years with the company. Mr. Galle began with the Minneapolis branch in 1923, and in his career has witnessed development of the company from an old-line wholesale business to a service warehouse supplying the merchandise needs, as well as operating and promotional guidance, for more than 2,400 Ben Franklin Stores. In the Minneapolis Association of Credit Men Mr. Galle served as director and as president 1947-48.



V. T. COVINGTON



P. J. CUDDY



H. J. GALLE



J. P. DRAGIN

J. P. DRAGIN, CPA, has been named vice president-finance, The White Motor Company, Cleveland. Mr. Dragin began with the company in 1945 as technical assistant, audit and systems, became assistant controller two years later, and in 1951, when White acquired Sterling Motor Truck Company, he was elected assistant vice president-finance of this operation. For a number of years he has held the position of controller of White.

FREDERICK C. DIETZLER has been appointed division credit manager at the newly established credit district office of Kaiser Aluminum & Chemical Sales, Inc., in Philadelphia. He comes from the New York office, where he had been assistant credit manager. A graduate of the National Institute of Credit, Mr. Dietzler earlier had been associated with Virginia Woolen Company and Sherwin-Williams.

W. M. OLSON, formerly division credit manager at Cleveland, Kaiser Aluminum & Chemical Sales, Inc., has been named assistant to H. J. Nussbaum, general credit manager of the company. Mr. Olson, graduate of Western Reserve University (B.B.A. degree), is a member of the Ohio bar.

RANDOLPH B. MARSTON has been appointed controller, Control Instrument Company, Brooklyn, wholly owned subsidiary of Burroughs Corporation. He began with Burroughs, Detroit, as a field auditor in 1949.

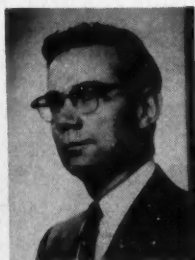
J. PAUL HARRELSON has joined Serval Inc., Evansville, Ind., as manager of credit and collection. He had been for nine years previous with Brandeis Machinery & Supply Company, Evansville, as credit and collection manager, and before that as cost accountant with Aluminum Company of America. He is a vice president of NACM Tri-State Area, Inc.

WILLIAM W. SMITH has been named manager, credit and collection service in treasury services division, General Electric Company, New York City, with responsibility for the company's credit and collection policies. Since 1951 Mr. Smith has been concerned with atomic products operations of the company, most recently as manager-auxiliary operations, Knolls Atomic Power Laboratory, Schenectady, in charge of finance, employee relations and general laboratory services. He began with GE in 1937 as a recruit in the company's business training course, following graduation from Beloit (Wis.) College.

LESTER E. FRANKENSTEIN has been appointed a vice president of B. Kuppenheimer & Company, Chicago. He joined the company four years ago as assistant to the president and credit manager, later becoming a director. He served as chairman of the Wearing Apparel Industry Group at the Chicago Credit Congress, 1955, and is a director of the Chicago Association of Credit Men.



J. P. HARRELSON



W. W. SMITH



MISS SAMPLE



E. A. GAUDETTE

MISS DOROTHY SAMPLE has been appointed assistant secretary of The Riester & Thesmacher Company, Cleveland. She heads the accounting division. Miss Sample, recently elected president of the Credit Women's Club of Cleveland, began with the company 15 years ago as bookkeeper and advanced to credit manager. She attended Spencerian Business College and Cleveland College.

ARTHUR H. BAUMGARTNER, formerly assistant vice president, American Credit Indemnity Company of New York, Baltimore, has been elected vice president in charge of the claims department. He succeeds Harry A. McKenna who retired on July 1st after more than 47 years of service.

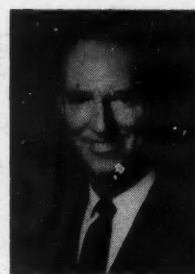
JAMES R. ZIGLER has been appointed secretary-treasurer of Cascade Meats, Inc., Salem, Ore., to succeed A. R. Tartar, retired. Mr. Zigler is a trustee of the Portland Association of Credit Men.

WILLIAM J. MRAZ has been promoted to office and credit manager, city sales department, Anheuser-Busch, Inc., St. Louis, from assistant office manager. He has been with the company since 1940 except for World War II military service and a period devoted to completion of studies at St. Louis University.

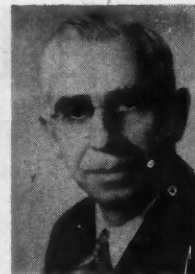
The Phoenix of London Group of insurance companies has elected **JOHN R. ROBINSON** its chief executive officer. Formerly deputy United States manager and executive vice president of the group, Mr. Robinson succeeds H. Lloyd Jones, retired.

W. G. ZAENGLEIN has been named executive vice president, Underwood Corporation. He formerly was president, then vice chairman of Monroe Calculating Machine Company.

E. A. GAUDETTE has additionally become treasurer of Permacel Tape Corporation, New Brunswick, N. J. He retains the office of controller, post he has held since March 1955. Prior to joining Permacel in 1953 he was for seven years with General Cable Corporation.



R. L. FLYNNE



J. K. HILL

JOHN K. HILL has been named senior vice president, The Norwich Pharmacal Company, Norwich, N. Y. He also is treasurer and a director of each of the company's wholly owned subsidiaries: Norwich Pharmacal Company, Ltd., Norwich Inter-America, Inc., and Eaton Inter-America, Inc. Mr. Hill began with the company in 1919, becoming chief cost accountant in 1926, controller in 1930. He has variously served as treasurer and secretary and has been a vice president since 1950.

ROBERT L. FLYNNE has been appointed vice president of finance, H. C. Smith Oil Tool Company, Compton, Calif. Earlier this year he had been advanced to treasurer and elected a director, from controller. Before going with the company in July 1954 he was secretary-treasurer, Baash-Ross Tool Company.

LAWRENCE K. RICHARDS, Home Savings & Loan Company, Youngstown, Ohio, has been appointed vice president in charge of mortgage loans. He worked for the bank as an office boy while still attending school, became a teller in 1920 and advanced through the ranks to vice president in 1947. He is a director of the Youngstown Association of Credit Men and vice president of the Ohio Savings & Loan League.

GUION OSBORN, formerly commercial manager, Ohio Bell Telephone Company, has been promoted to Youngstown district commercial manager. He succeeds Carl E. Boyer, who has been elevated to commercial supervisor of the eastern division of the company at Akron. Mr. Osborn is a former director of the Youngstown Association of Credit Men.

CLAUDE D. VANNOY has been promoted from controller to assistant treasurer, International Resistance Company, Philadelphia. Mr. Vannoy is a certified public accountant.

Modernizing the Office

New Equipment to Speed Production and Reduce Costs

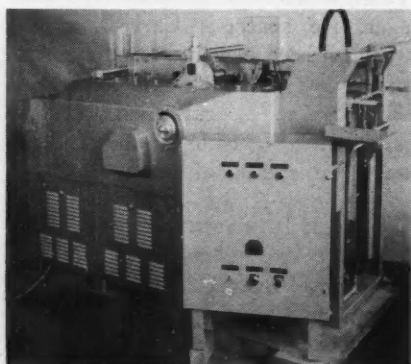
Convertible Storage Types



312—The CYCLOPS swing-door steel storage cabinet of Burroughs Manufacturing Company comes in three models, all convertible with interchangeable interior parts that make each one adaptable as storage cabinet, wardrobe cabinet, or combination of both. Ten screws and 15 minutes put the cabinet together, says the manufacturer. Doors are removable if desired; shelves are manually adjustable. The single central handle is controlled by a Yale & Towne lock. Interior has no projecting lugs. Choice of five standard baked-on enamel finishes; also available in white; sizes 36x78x24" and 36x78x18".

Selective Addresser

313—An electronic sensing mechanism for greater selectivity in list



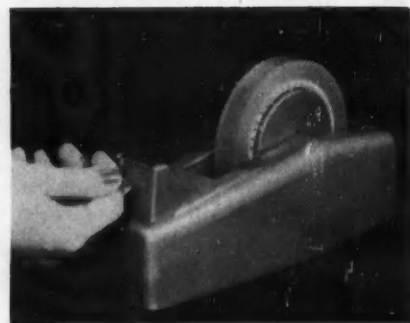
handling is a feature of the SCRIPTOMATIC Model 201-S high speed addressing machine manufactured by Scriptomatic, Inc. The electronic mechanism enables the operator to select, reject, print or skip any card in a master file while the addressing machine is in operation. Wanted information is programmed by the operator by means of a selector panel, giving complete and selective control over any information punched into the master card. Automatic counters can be set up for cards in any or all of the informational categories programmed. Master cards designed to individual company requirements or standard. System is based on chemical process that utilizes original card form as master.

Unique Desk Tray



314—The SEC-TRAY stationery compartment, a Globe-Wernicke Company exclusive feature, helps increase secretarial efficiency by providing a more convenient receptacle for needed supplies, at the same time freeing a box drawer for other purposes. Eliminated is the turning and stretching required to get supplies from the ordinary-type desk stationery drawer. The metal Sec-Tray fits into former dead storage space under the typewriter platform and slides easily from its concealed position; in use it is aligned adjacent to typewriter. Designed primarily for use with G/W's Arc Swing platform secretarial desk, it also comes in same finishes as G/W Streamliner metal desks.

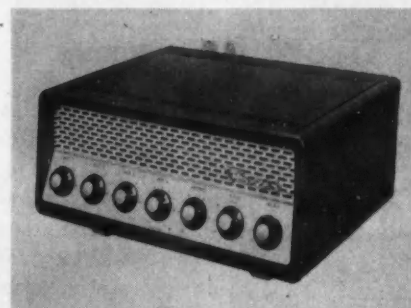
Heavy-Duty Tape Dispenser



315—This new "Scotch" brand heavy-duty metal tape dispenser, for general business and industry use, accommodates 2,592-inch rolls of "Scotch" brand cellophane tape or most 60-yard rolls of "Scotch" brand paper tape in widths up to 1" on 3" cores. The MINNESOTA MINING & MANUFACTURING COMPANY unit is portable, has an improved cutter edge and rubber-cushioned base, and is scientifically weighted to prevent slippage during use. Comes in metallic gray finish.

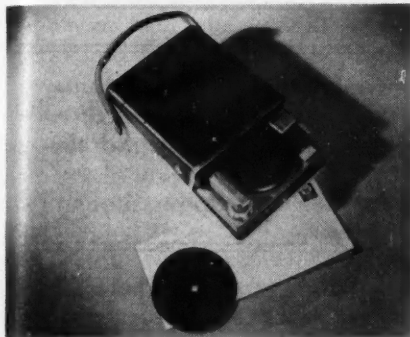
Hi-Fi Commercial Amplifier

316—The advanced commercial 50-watt amplifier produced by BELL SOUND SYSTEMS, INC., is exceptionally well-suited for large interior or exterior areas, and for installations which require good music reproduction, as well as voice. Flexibility is provided by the unit's variety of in-



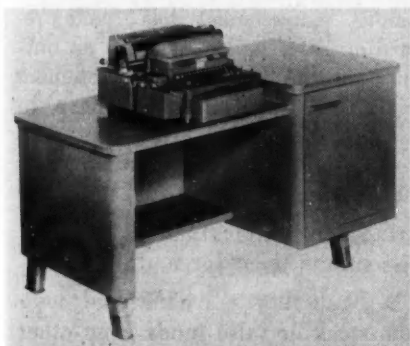
puts and low distortion, less than 3 per cent at 50 watts, and 90-watt peak power. Model 5650 has four "mike" inputs and a special tape input. Three-speed phono top is available. Output impedances 4, 8, 16 and 500 ohms and 70-volt constant voltage tap.

Tiny Dictating Device



317—Compact enough to fit into briefcase or automobile glove compartment for use on trips, yet equally functional in the office is SOUND-SCRIBER CORPORATION's new "200" electronic dictating and recording equipment. Weight is less than 6 lbs.; dimensions 2 7/8" high, 6 1/4" wide, 10" long. It can be carried by handle or worn over the shoulder by means of a snap-on strap. With an inverter, the "200" can be plugged into automobile cigaret lighter. Discs are also playable on standard 33 1/3 rpm home phonographs, so "voice letters" are practical at home. The 3" Memo disc holds 8 min. of dictation, 3 7/8" Mail-Chute disc 15 min. of dictation.

Billing Automation



318—By combining calculator, electric typewriter and common language punch mechanisms, MODEL C COMPUTER of Friden Calculating Machine Company, Inc., makes it possible for a typist to carry out even the most complicated billing and at the same time produce a common language tape for any number of subsequent data processing functions, including transmission by wire to outside offices. The Computyper automatically computes and prints extensions, additions, deductions; percentage increases and decreases, and totals. Common language tape, or edge punch cards, de-

This Department will welcome opportunities to serve you by contacting manufacturers or wholesalers for further information regarding products described herein. Address MODERNIZING, Credit & Financial Management, 229 Fourth Ave., New York 3.

pending on system used, completely govern typing and computing functions.

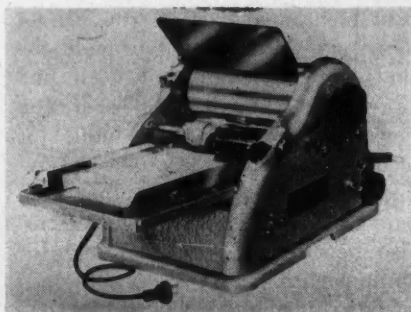
Smart Business Furniture



319—Styled to create a warm, pleasing atmosphere and to provide utmost comfort, the Cosco line of business furniture of Hamilton Manufacturing Corporation offers these additional advantages: exclusive "leaf spring suspension" for added buoyancy, brass boots to protect carpets and floors, wall-saver leg construction, socket glides that stay level when furniture is tilted. Choice of twelve seating models (shown is 191-RL), coil spring or foam rubber cushions, wide assortment of colors and fabrics in plastic or cloth. Armless and right- or left-arm units permit harmonious groupings of chairs, settees and sofas.

Spirit Duplicator with Dial

320—The DUPLICARBO spirit duplicator features dial-controlled fluid distribution and pressure control. Re-



versible feed tray accommodates narrow stock and a plexiglas master guide is designed to eliminate wrinkled masters. Measurements on cylinder and feed tray, fully geared mechanism, a raising and lowering device, automatic opening and closing of master clamp are other features. Duplicator comes in automatic-feed, hand-operated and electric models, in Hammer-tone gray finish. Business Machine & Supply Company is the United States distributor.

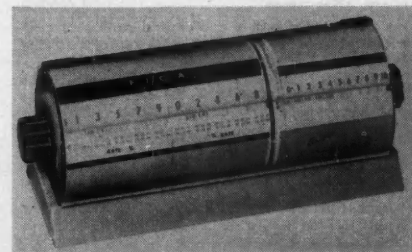
Duplex Console Collator

321—The new 24-bin Model "2400" duplex console electric collator of COLLAMATIC CORPORATION features two fingertip starters, each activating its own individual set of 12 bins. This makes it possible for one person to operate the console and collate from 2 to 24 pages at one time; or, two operators, comfortably seated, can collate two separate jobs that require the collating of from 2 to 12 pages each. Fatigue is reduced. A stapling-stacking bin accommodates either automatic or hand stapler. No installation



is required. Automatic counter is optional.

Payroll Tax Computer



322—A simplified payroll tax computer for fast, accurate calculations of FICA and federal withholding tax deductions, the AYRES CALCULER-D, comes with a choice of interchangeable drum-charts, for daily, weekly, biweekly, semimonthly or monthly payrolls.

contracts, especially where the process period is rather lengthy.

Borrowing money against the cash value of life insurance policies, if any are in existence.

Use of trade acceptances.

Up to this point we have discussed our concept of working capital—how to determine the amount of working capital a business needs, and the normal and legitimate means to obtain the working capital requirements based on the function the working capital is to play in the company operations. Now, assuming we have accomplished all of this, what can we do in our daily operations to keep and conserve the working capital our customers have?

First of all, we must set up our standard ratios such as we have discussed and, by regular comparison with the actual, determine at periodic intervals whether or not the customers are making the best use of what they have.

Secondly, one should determine the desirable ratio to have between borrowed capital and equity capital. This is a very important point, because too much borrowed capital will ruin a company when business falls off just a bit.

Third, make sure that dividends are not being paid out of the capital of the stockholders. The fact that the dividends paid are not in excess of the earnings is no reason to feel that the capital of the company is not being impaired.

Assume the following example:

COMPANY XYZ		
Fixed assets		\$10,000,000
Depreciation rate 5%		500,000
Replacement value of assets		20,000,000
Earnings after taxes		1,400,000

The company now has a dividend policy of paying out 50% of its earnings and reinvesting the balance in the business.

Under this policy the dividends paid were \$700,000, and the other \$700,000 was kept in the business.

This is the usual way industry works, but it is not correct. The individual responsible for the working

capital of his company should have made the following calculation—

Assuming a 50% tax rate, the earnings before taxes were	\$2,800,000
Add depreciation deducted	500,000
Deduct additional depreciation needed to take care of replacement value of assets	1,000,000
Net adjusted earnings before taxes	\$2,300,000
Taxes at 50% rate	1,150,000
Net earnings after taxes	\$1,150,000
Dividends 50%	\$ 575,000
Actually paid	700,000
Stockholder's equity paid out as dividends	\$ 125,000

Fourth, you should see that there is adequate insurance protection for the following:

- Fire at replacement value.
- Use and occupancy for fire and boiler.
- Dishonesty and fidelity.
- Public liability.
- Products liability.
- Officers and key men.

Every business has two types of assets. One is represented by cash, inventory, physical plant, machinery and other equipment. These are the tangible assets. The other type of asset is even more important to the success of the enterprise than the physical assets. This is the intangible and consists of assets that may be termed the "brainpower" or "know-how" of the man or men responsible for the fullest utilization of the tangible assets. This skill and knowledge, ability, judgment, experience and leadership comprise the most powerful assets of the business. These men should be insured, because such insurance accomplishes the following objectives:

- Indemnifies direct loss of profits;
- Assures stable credit;
- Pays cost of training replacements.

Fifth, you should be sure there is a sound policy on expenditures for capital additions or replacements. If you follow the return on total investment mentioned earlier, you cannot go wrong. Most people provide the funds for the equipment itself and forget that when it is in operation they will need additional funds for accounts payable, accounts receivable, inventories and the other incidental costs incurred in operations. Also, be sure you provide enough for contingencies.

Sixth, encourage your customers

One reason opportunity isn't recognized more often is that it goes around disguised as WORK.

—Anonymous

to forecast operations. There can be no real effort to control and maintain the working capital of a company unless management provides some sort of budget or financial forecast of its operations for some future period of time. Unless this is done, no determination can be made of the working capital position with reference to its adequacy or inadequacy.

Source and Disposition of Funds

One of the important things to be derived from a budget or financial forecast is a "Source and Disposition of Funds" statement. This is a statement of funds provided for the business and how they are going to be used. It is an analysis of the variation between balance sheet accounts for the period involved in the forecast. In effect, it tells the customers what is going to happen to their working capital as a result of the decisions management has made regarding sales and operations as outlined in the budget. The statement might tell them that they have to change their plans or run into trouble. It might involve decisions on the following:

1. Shall they continue dividends or discontinue them for a while?
2. Shall they sell additional common stock or raise funds from other long-term avenues?
3. Will they pay off the bank loan or ask for a renewal?
4. Can they reduce inventories to help the situation?
5. Can they eliminate or defer some of the capital expenditure program?
6. Should they use the accelerated depreciation method even though it hurts the earnings statement but builds cash?

Seventh. Show them how to make the most use of cash flow. Some concerns have all the funds coming into the company received at one spot and then disbursed to various banks in

One realizes the full importance of time only when there is little of it left. Every man's greatest capital asset is his unexpired years of productive life.

—P. W. Litchfield

different cities in relation to the needs of their plant in each city.

We are here referring to the multi-plant industry, but it can be worked by a single plant operation which sells all over the United States and possibly in some foreign countries.

Now being tried out is a new plan which cuts down the float-time of checks in transit and allows them to operate with less actual cash.

People are opening accounts in important points in all the larger cities or in their natural trade area. All monies within a certain radius are to be sent to a certain designated bank instead of to the plant whence the merchandise came or to the home office. This means that the checks reach the bank for credit two or three days earlier and are immediately credited to the company's account, because they do not have to be sent back and forth to the clearing houses. In vast operations it is worthwhile to give some thought to investigating this method of indirectly increasing the working capital by reducing the cash requirements.

Extending Additional Credit

Eighth. When it comes to extending additional credit to those with whom you do business, there are certain facts which should be known and which the borrower should be prepared to furnish.

As a credit executive you must be ready to go beyond the details of the company's current financial condition, its cash requirements and available security for its needs. You should raise the following points for their proper evaluation and for education of your account.

1. Ratio of equity capital to debt capital.

This is an important ratio because the equity holders should provide all the fixed capital and some of the variable capital needed in the business, both at the outset and for any contemplated expansion.

2. Basis of valuation of assets.

Are the inventories valued on LIFO—FIFO—Cost, Average, etc.? Is the company on direct costing, which reduces the value of the inventory? Is the company using the 1954 accelerated depreciation methods which cause an undervaluation of fixed assets?

3. Kind and degree of inventory controls.

What assurance have you that the inventories have been properly counted and evaluated?

4. What is the credit policy of the company?

This will give a clue as to the accuracy and validity of the accounts receivable.

5. Effectiveness of cost control.

This will indicate whether or not the company will operate profitably, which after all is the only real and

Secretary-treasurer of Charmin Paper Mills, Inc., Green Bay, Wis., P. M. Chiuminatto is past president of the Northern Wisconsin-Michigan Association of Credit Men and past president of the Northern Wisconsin Chapter, National Association of Cost Accountants and past national director. The article was prepared for a credit association meeting in Wausau, Wis.

Mr. Chiuminatto is on the University of Wisconsin seminar staff (finance) and that of the American Management Association (finance and insurance). He is co-author of "Handbook on Finance" (Prentice-Hall).

sound way it has of paying its bills on a long-term basis and assuring itself of solvency.

6. What use is to be made of the borrowed funds or further extension of credit?

Are the funds to be used for current assets or fast-moving assets or is this an indirect way of providing funds for fixed asset expansion, which is only deferring trouble to some future time.

7. How is the loan or extension of credit to be repaid?

Is it intended to repay the additional credit or is it intended to let it remain permanently in the company?

8. Appraisal of management.

How has the company taken care of its promises in the past? Have its estimates and forecasts been on the optimistic side?

9. Liquidation.

Are you aware of the financial and other problems arising at the death of a closed corporation stockholder

or one of the partners of a partnership? Even in a regular corporation, what would be the effect of the death of a majority stockholder? What will be the effect on your position by reason of any purchase agreement for the stock or partnership of the company as between stockholders and partners? These are all very real hazards and should be given consideration in the extension of credit.

These are the more important factors which it is possible to obtain from any sized business. In the extension of credit to larger firms and more sizeable amounts, it would be well to obtain:

Balance sheets for at least three years.

Profit and loss statements for the same period.

Budget, forecast, or profit and loss estimates for the current year.

Forecast of cash position for the duration of the additional credit.

List of unfilled orders and similar concrete indicators of business prospects.

Pro-forma balance sheet for period covered by extension of additional credit.

Finally, you cannot hope to manage or conserve the working capital of any company unless it has a good tax department.

Discuss any financing and working capital problems with the tax department, but do not let the tax consequences of any action be your sole guide. Sometimes it is better to pay more taxes immediately for a long-range benefit of more value to the company.

Up to the Management Team

The creation and control of working capital is not a one-man job. Just as working capital filters through the entire needs of the business, so the responsibility for it rests with the entire management team. It may be that all the final working capital requirements funnel through the chief financial officer, but how much the requirements are, when the funds are to be on hand, or whether they are even needed, must of necessity be made by those who are closest to the particular need.

Top management is responsible for the success of the business and the wisdom of those making the decisions at the lower level. They can delegate the responsibility, but they cannot relieve themselves of it.

Commencement Offers New Vision of Service and Growth, Walker Tells NACM Stanford Graduates

THE Executive Award is now the prized possession of all 21 in the 1956 class of the Graduate



J. A. WALKER



W. J. DICKSON

School of Credit and Financial Management conducted by the Credit Research Foundation, National Association of Credit Men, at Stanford University, Palo Alto, Calif. The two-weeks' resident session, held annually in July, for experienced executives in training for greater responsibilities, had a capacity enrollment of 38 first-year, 30 second-year and 21 third-year students. The session at Dartmouth College, Hanover, N.H., is held annually in August.

The following special awards were presented as part of the school's graduation exercises: Paul G. Hoffman Award for Achievement, to H. A. PLANE, United States Steel Supply Division, Chicago; Alumni Award for Leadership, to FRANK R. DANSBY, Union Bank & Trust Company, Los Angeles; American Petroleum Credit Association Award for Management Study Report, to L. B. LUDFORD, Boeing Airplane Company, Seattle.

The management school Commencement, unlike the ordinary Commencement, "for the graduate may well mark the beginning of a new concept of self-development and growth," said the Commencement speaker, J. Allen Walker, general credit manager, Standard Oil Company of California, San Francisco, who is vice president, western division, National Association of Credit Men, and a member of the Graduate School faculty.

This concept is "development for a purpose, directed by yourself as specifically and carefully as you would direct the development of someone

else for whom you had a direct responsibility." It provides the opportunity to start again with a new impetus, a new drive, "a new vision of what you can do with the rest of your lives."

In spite of what universities and industry have done and are doing, "many men and women today are victims of what could be called 'arrested self-development'," the oil company executive declared. "They have stopped their growth or development at a point disappointingly below their potential."

During the first years of our lives, he pointed out, there is the highly concentrated effort, on the part of our parents, to develop the potential in us. The process continues in our homes, at school and in church, with the direction the responsibility of others. Then comes the time when we reach an age rather loosely described as maturity; we become so-called masters of our own fate—and suddenly most of the organized effort toward development comes to a stop.

"A certain amount of development of growth takes place almost in spite of us, or comes as the result of work by others," Mr. Walker noted, citing the creditable jobs done by industry,

through special training and management development conferences for executives and junior executives, and the universities, through conferences and courses, "but the self-development for which we ourselves are responsible, is the part most often neglected."

Recognition of our weak points as well as our special abilities is a long step forward in the process of self-development, the executives were told. "A marked differentiation exists between 'self-development' and 'selfish' development," Mr. Walker explained. "To reach one's highest potential, the development process needs to be motivated by principle, not expediency, together with a philosophy of living in which respect for others is paramount."

Six Management Responsibilities

Six fundamental qualifications for those who would assume management responsibilities, as outlined by business leaders, were listed by the speaker: creative ability, judgment, administrative skill, positive attitude, courage and character. "It is most significant," he commented, "that each of these ingredients for success has to be developed from within, by the individual himself."

"Alibis" are weak against the history of men and women who have overcome poverty, physical handicaps or other obstacles. Mr. Walker cited Herbert Hoover, who surmounted economic hardship, and Helen Keller, who though blind and deaf, has built herself a rich, inspiring life. "One can never consent to creep when one has an impulse to soar," Miss Keller has said.

Self-Development the Key

"These two persons and others who have made great contributions to the world around them knew the effectiveness of continued growth and self-development," said Mr. Walker, "and it is through self-development in their later years that men achieve varying degrees of success or greatness. The continued growth that has been exemplified in the lives of the great men

(Concluded on page 36)

Graduate School Award Winners

Special awards at the Stanford Graduate School of Credit and Financial Management, conducted by NACM's Credit Research Foundation, went to the following:

Paul Hoffman Award for Achievement: H. A. PLANE, United States Steel Supply Division, Chicago;

Alumni Award for Leadership: FRANK R. DANSBY, Union Bank & Trust Co., Los Angeles, president of the Credit Managers Association of Southern California and past president of the Los Angeles Bank Credit Men's Association;

American Petroleum Credit Association Award for the outstanding Management Study Report: L. B. LUDFORD, Boeing Airplane Co., Seattle.

All 21 in the senior class received the Executive Award.



Use Credit Interchange Reports *to Increase Sales*

Have you checked lately to see how many of your accounts have improved their position sufficiently to justify an expanded line of credit?

When your own ledger experience and that of others (as tabulated on Credit Interchange Reports) shows improvement in the customer's paying record, an increased line naturally encourages increased orders.

Use Credit Interchange Reports freely. They give you definite and dependable information, in concise, carefully tabulated form. They call attention to conditions of which you may not be aware—favorable as well as unfavorable . . . The Bureau serving your area will be glad to give you the interesting details—without obligation.

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1104 Arcade Building . . . ST. LOUIS 1, MO.



Zebras' New Leaders Start Plans for Expanded Service

Millard French, of E. L. Mercere, Inc., Memphis, the new Grand Exalted Superzeb of the Royal Order of Zebras, NACM, and others in the 1956-57 official family of the order are completing plans for widened service to National, with concentration upon membership.

Here are the new officers of the Zebras serving with Mr. French:

Vice Grand Exalted Superzeb and Pacific Ranger: E. F. GUEBLE, Garrett Supply Company, Los Angeles.

Grand Zebratary-Zebrayer: J. H. BRYAN, secretary-manager, NACM Mid-South Unit, Memphis.

Grand Counselor: A. G. KELLER, vice president, Mellon National Bank and Trust Company, Pittsburgh, immediate past Grand Exalted Superzeb.

Eastern Ranger: FREDERICK W. ROGERS, Fred K. Rogers & Sons, Inc., Boston.

Atlantic Ranger: M. G. SHEVCHIK, Elliott Company, Jeannette, Pa.

North Central Ranger: KARL MEISNER, Wisconsin Electric Power Company, Milwaukee.

Western Ranger: W. A. KENMUIR, Hillview Lumber & Supply Company, Niles, Calif.

South Central Ranger: J. D. SANSONI, Avondale Marine Ways, New Orleans.

The 38-year old French is a past president of the NACM Mid-South Unit, 1951-52 (then called Memphis Association of Credit Men). Before joining E. L. Mercere, Inc. in 1954, Mr. French had been secretary-treasurer of South Motors, Inc., having advanced from accountant-cashier in 1949. He was in charge of accounting and tax matters, wholesale and retail credits, and administration. He previously had been associated with a Memphis firm of certified public accountants. Mr. French was born in Little Rock, and attended the Mid-South Institute of Accountancy, Memphis.

At the 60th Credit Congress, Cincinnati, the annual award of the Royal Order of Zebras for outstanding service went to John B. Schoenfeld, vice president, Forstmann, Inc., currently president of the New York Credit and Financial Management Association.

Mr. French last year was Vice Grand Exalted Superzeb and South Central Ranger.

J. ALLEN WALKER

(Concluded from page 34)

and women of history is proof that God intended man's life to be one of constant and continued development."

Earl N. Felio, treasurer and assistant secretary, Colgate Palmolive Company, New York, is president of the Credit Research Foundation. William J. Dickson is its managing director and is executive director of the NACM Graduate Schools.

The 21 businessmen graduates who received the Executive Award at Stanford at the fifth annual session, are:

DANIEL E. AVILA, Credit Manager, Lucky Lager Brewing Co., San Mateo, Calif.; GEORGE M. CARMICHAEL, dist. mgr., Pacific Finance Corp., Los Angeles; J. B. CORBETT, exec. supervisor, Pacific Finance Loans, Los Angeles;

FRANK R. DANSBY, asst. cashier & mgr. cr. dept., Union Bank & Trust Co. of Los Angeles; JAY W. DODSON, div. cr. mgr., Bausch & Lomb Optical Co., San Francisco; RALPH H. JOHNSTON, asst. treas., The Coast Pipe & Supply Co., San Francisco; GORDON O. JONES, cr. mgr., U.S. Steel Supply Div., U.S. Steel Corp., Los Angeles; FRANK A. KING, cr. mgr., Inland Container Corp., Indianapolis; JACK J. LATHAM, mgr. customer service, Carr Paper Co., Pomona, Calif.; G. C. LECOE, regional cr. mgr., Standard Oil Co. of Calif., Seattle;

L. B. LUDFORD, chief cost accountant, Boeing Airplane Co., Seattle; GEORGE H. MOORE, mgr. Broadway-Washington Branch, Bank of America NT & SA, North Hollywood; J. L. MYERS, Credit & Property mgr., The Western Co., Midland, Texas;

H. A. PLANE, Regional cr. mgr., U.S. Steel Supply Div., U.S. Steel Corp., Chicago; JOHN L. SCHAEFER, Credit & Office mgr., Coffin-Redington Co., Div. Brunswick Drug Co., Sacramento; JOHN T. SCHULE, controller, The Fluor Corp., Ltd., Los Angeles; JOHN K. SHAFFER, cr. mgr., Owens-Corning Fiberglas Corp., Santa Clara, Calif.; DON W. SMITH, asst. cashier, Bank of America NT & SA, Los Angeles; CONWAY B. SONNE, Senior Credit Analyst, Standard Oil Co. of California, Palo Alto; G. W. THOMPSON, Finance Dept. mgr., Lockheed Aircraft Corp., Atlanta; WALLACE E. YOUNG, cr. mgr., Schmidt Lithograph Co., San Francisco.

Los Angeles Women Elect

The Credit Women's Club of Los Angeles has named Nellie Waldschmidt, Harper & Reynolds Corporation, to the presidency. Mitzi Mee, credit manager of Radio Station KLAC, Hollywood, is vice president, and Betty V. Bell, credit manager, M. E. Bear & Company, is treasurer.

Curb on Money Demand Held Bulwark Against Inflation

"If businessmen were able to obtain all the money they thought they should have from the banks for expansion, this would result in excessive demand for materials and inflated prices," and so a timely tight money policy on the part of the Federal government and the Federal Reserve Board helps check inflation and maintain a high level of prosperity, George B. Kneass, assistant to the secretary of the treasury, told Cleveland credit executives.

At the same time, it was pointed out, more money made available to consumers through income tax reductions could send the public on a buying spree and promote inflation as shortages of goods develop, as was experienced in the Korean war.

Mr. Kneass, who assists the treasury department in financing and debt management, spoke before The Cleveland Association of Credit Men. His subject was "Sound Money and Debt Management." A. R. Mansir, The Central Ohio Paper Company, was meeting chairman.

W. F. Rae of Mennen Elected

The Purchasing Agents of New York named as president William F. Rae, purchasing agent for the Mennen Company.

Textile Exporters Elect Filippi; Equalized Cotton Fee Proposed

The Textile Export Association of the United States has elected Gerald A. Filippi president. He succeeds M. J. Cuffe, of Brune, Nadler and Cuffe, who has been named chairman. Mr. Filippi is president of Manufacturers Textile Export Company, subsidiary of Pepperell Manufacturing Company. William M. Landa, Burlington Export Company, and Harold E. Dunderman, J. P. Stevens Company, Inc., are vice presidents and John W. Murray is secretary-treasurer.

An equalization fee, equivalent to the difference between world and domestic prices of raw cotton, to be paid on exports of cotton products, is favored by the association, said Mr. Cuffe, who attributed a decline in overseas trade to the fact that most of this country's major competitors are able to buy cotton 6 to 8 cents a pound under prices paid by American mills.

Boy Scout Activity of Utica Banker Is News Story Theme

The Utica (N. Y.) *Observer-Dispatch* recently devoted its "People Worth Knowing" column to J. Francis Roche, of the Industrial Bank, who has been a director in the Central New York Association of Credit Men. Cited repeatedly for his scouting and youth welfare activities since 1919, Mr. Roche most recently was awarded the St. George medal of the Syracuse Diocese for outstanding work with Catholic scouts and in 1955 received a membership plaque from the Upper Mohawk Council, Boy Scouts of America, of which he is a director.

Before going to Utica from New York City, Mr. Roche was representative of the American Instalment Credit Corporation.

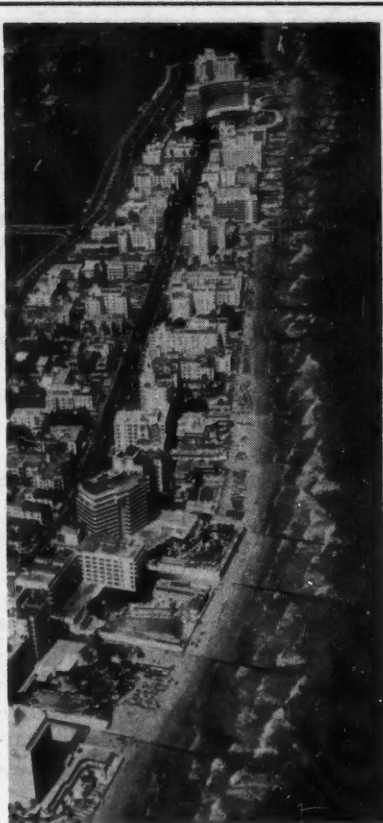
Tight Money Conditions Aid Field Warehousing's Growth

Field warehousing—inventory financing—is steadily gaining in volume, and today the number of products covered by field warehousing operations represent almost the entire range of industries, writes Albert L. Kraus in the *New York Times*. Current tight money conditions are "aiding and abetting" the expansion but generally field warehousing has proved helpful in finding funds for small and medium size concerns in stages of growth and experiencing shortages of working capital. Producers of seasonal goods and of new products utilize the medium.

Major concerns listed in this field: Lawrence Warehouse Company, American Express Field Warehousing Corporation, Douglas-Guardian Warehouse Corporation the New York and St. Paul Terminal Warehouse companies, St. Louis Terminal Field Warehouse Company, and Haslett Warehouse Company on the west coast.

Field warehousing enables the manufacturer, wholesaler or retailer to turn inventory into cash, permitting him to take discounts and maintain credit rating, and the raw materials or finished products are available when needed. The field warehouse

Patronize Credit and Financial Management advertisers and tell them you saw their ad in this magazine. We'll both benefit.



Swimming pools and cabanas line the ocean sands in front of Miami Beach's hotels.

Twenty hotels are under contract to house the delegates to the 61st Annual Credit Congress at Miami Beach May 12-16, 1957. Top right: The Fontainebleau, convention headquarters.

company leases from the business a portion of its storage space, the area is posted, a bonded warehouse manager (generally one of the business's own employees) is hired and authorized to issue warehouse receipts which become the collateral for loans from the business's own bank. For warehouse receipts to be valid collateral, the warehouseman must establish himself as a disinterested party with legal and actual custodianship of the inventory.

In Lawrence's Secured Distribution, no bank loans are involved. Dealers are financed directly by the manufacturer or supplier under either of two agreements, viz.: a) the supplier stocks a field warehouse on the dealer's premises, giving title to the dealer and billing the dealer for the goods. The supplier retains control, until payment is indicated, through a field warehouse release plan. b) The supplier also stocks the field warehouse but retains title to the goods until they are sold and paid for.

Sidney Stein Renamed to Head Textile Fraud Prevention Fund

Sidney A. Stein, president of Congress Factors Corporation, New York City, again has been reelected chairman of the Textile Fraud Prevention Fund, NACM.

J. Joseph Brown, Catlin Farish Company, New York, has been reelected vice chairman of the Fund.



SIDNEY STEIN

A certificate for outstanding achievement was presented by the National Association of Credit Men to W. G. Willoschat, Hesslein & Company, on completion of his three-year term on the fraud prevention executive committee.

Not a Bellwether

THE AUTO INDUSTRY as a bellwether of general business trend has been exploded by the statistics of new records, or steadiness, in most other lines of business while the automobile readjustment has been taking place.

There have been instances in the past, says the Cleveland Reserve Bank's "Business Trends," wherein auto industry downturn has been paralleled in business as a whole, and cases of auto strength despite general weakness, but here is a period in which general business resiliency has absorbed the shocks of auto readjustment.

PERSONNEL MART

Financial Executive Available

TOP LEVEL financial executive, 15 yrs. public accounting, 15 yrs. multi-plant mfg. corp. experience. Last 10 yrs. top policy-making and administrative level. All phases financial accounting and controllership activities. Seeking position as financial vice president, treasurer or controller. Box CFM #430.

Will Relocate, Travel

AVAILABLE: General credit manager, controller or executive assistant.

EXPERIENCE: 10 years in accounting, credit, taxes, insurance, teaching, etc. Ability on procedures. Will relocate and will travel. Box CFM #431.

solution. The cases are organized in four increasingly complex groups:

(1) Specific problems involving clearly defined alternatives; (2) then alternatives less clearly defined; (3) here the cases are noticeably broader, crossing problems in different fields, and (4) the last group, placing increasing emphasis upon detailed programs of action and their implementation items.

This book, emphasizing the development of analytic ability rather than specialized techniques, will be helpful to anyone dealing with problems of business administration.

THE SUPER MARKET—By M. M. Zimmerman, 340 pages. \$6.00. McGraw-Hill Book Company, Inc., 330 West 42nd St., New York 36, N. Y.

- A complete story and record of the dramatic impact the super market has had on business and economics, its growth and its future. There is information on its set up, departments, layout, financial structure, community and public relations, all written not only for the operator but for anyone who sells or contemplates selling the super-market.

215 SUCCESSFUL DOOR OPENERS FOR SALESMEN—by David Seltz. \$4.95. Prentice-Hall, Inc., 70 Fifth Ave., New York 11, N.Y.

- A practical and unique presentation on how to overcome selling obstacles. 215 tested and proven techniques and methods covering every conceivable selling situation.

MODERN MARKETING—By Harry Walker Hepner. \$6.00. McGraw-Hill Book Co., 330 West 42nd St., New York, N. Y.

- Objectives are to orient both student and practitioner and to awaken awareness of the ways in which the principles of marketing functions are integrated into the lar-

ger framework of management's thinking, policies and programs. Each chapter provides a restatement of the principles which govern good marketing procedures.

A chapter on "Credit as a Factor in Marketing" ably covers all phases of the importance of credit in business management and successful marketing.

HOW TO FORECAST BUSINESS TRENDS—by Dr. Heinz E. Luedecke. \$1.00. The Journal of Commerce, 80 Varick St., New York 13, N.Y.

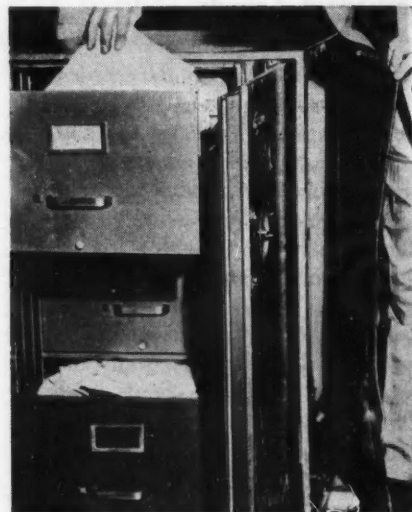
- A practical analysis of business trends, describing methods and suggesting specific decisions for the business executive, covering contemporary economic thought and its bearing on the development of business trends.

OTHER BOOKS REVIEWED AND RECOMMENDED

SERVICE TO STOCKHOLDERS OF THE CORPORATION—Its meaning—Its evaluation. Monograph. 120 pages. \$12.00. By American Institute of Management, Inc., 125 E. 38th St., New York 16, N.Y.—Fourth in a series of 10 volumes on basic theory and practice of the management audit, this work is a discussion of 20 interrelated subjects. A conclusion drawn is that this period of rapid industrial transition requires awareness of ways in which, directly and indirectly, the stockholders' interest is best served.

SECURED TRANSACTIONS, by Lester E. Denonn, and **ARRANGEMENTS UNDER CHAPTER II OF THE BANKRUPTCY ACT**, by Sydney Krause, are works within a series headed "General Practice," 17 monographs exceeding 1,600 pages, each at \$1.50, the total at \$20.00. Practising Law Institute, 20 Vesey St., New York 7, N. Y.—Field warehousing and factoring have major attention in "Secured Transactions." The other work concerns statutory procedure and the conduct of an arrangement proceeding.

THE POWER TO GO—The saga of the automotive industry. By Merrill Denison. 324 pages. \$5.00. In the American Industries Series, William Haynes, editor. Doubleday & Co., Inc., 575 Madison Ave, New York 22, N. Y.—A popularly written work that begins with "An Automotive Chronology—from contraption to social and economic force," traces the beginnings and amazing progress of the industry, with the myriad offshoots integral to the economy.



The night-long fire that gutted the general offices of Curtiss Candy Company, Chicago, left a shambles of charred beams, smashed flooring and crushed equipment. But records were saved. "Housed in Mosler safes, the various records, among them local and national tax records, files of Curtiss' treasury department, profit and loss statements, ledger cards and ledgers survived the fire in splendid condition," reports R. B. Schnering, Curtiss president.

KEEPING INFORMED

(Continued from page 27)

the public; and the extent of credit used in the stock market. Write to New York Stock Exchange, 11 Wall St., New York 5, N. Y. 35 cents a copy.

CAN WE DEPRESSION-PROOF OUR ECONOMY?—Recommendations for preventive measures by business analysts, and discussions of eight "built-in" stabilizers, with appendix including the Employment Act of 1946 and the President's message of 1953 on reorganization of the Executive Council of Economic Advisers. Chamber of Commerce of the United States, Washington 6, D. C.

JOB GETTING GUIDANCE FOR YOUNG PEOPLE—A 6-page pamphlet giving tips on applying for and holding the job you want. Write to the Vocational Counselor, Big Brother Movement, 33 Union Square, West, New York 3, N. Y. Price 10 cents.

DEVELOPMENT OF THE SALES FINANCING INDUSTRY IN THE UNITED STATES—A 19-page pamphlet gives the history of sales financing and explains conditions that brought about the demand for instalment selling. Write to the American Finance Conference, 176 West Adams St., Chicago 3, Ill. Single copy free.

Be not one of those perfect people, who in order not to do wrong, never do anything.

—The Light

Bank Liquidity, Higher Family Incomes Paint a Bright Decade, Says Upgren

Because we have been doing "so much better than you think," prospects are better for the next 10 and 15 years than in the period after the war when we had a great deal of 'catching up to do,' declares Dean Arthur R. Upgren, economist. Bank liquidity, increased family income and even our inflation, which he sees as not important, are the contributing factors cited.

Reducing the "fire alarm approach to problem solving" by encouraging a system of checks and balances to lessen tendency to off-the-cuff decisions, is the way one large company's controller sums up its constructive philosophy. Management planning and control practices in the areas of cost accounting, cost estimating and profit planning, integrated data processing and the effect of automation on business were among the topics of other speakers at the Midwestern conference of the Controllers Institute of America in Dayton.

Optimistic on Long Range

Dr. Upgren, dean of the Amos Tuck school of business administration, Dartmouth College, Hanover, N. H., and faculty member of NACM Credit Research Foundation's Graduate School of Credit and Financial Management, envisions an optimistic long-range future based on these three ways in which the economy has been "doing better than you think":

(1) Inflation—"In the 5 years ended March 15th there had been no important inflation. Raw material prices are down; wholesale prices are unchanged and down a little, with only the industrial goods component slightly higher, but fully offset in the wholesale price level index by declines in the price of farm products. The consumer price index has advanced very little."

(2) Family income enlargement—"In 1945, family income average was about \$4,000. Last year it was \$5,650. For 1960, according to the Twentieth Century Fund, the figure is estimated to be \$6,125. The estimate of President Eisenhower can be trans-

lated into an average family income of \$6,760 for 1965."

(3) Bank liquidity—"In the past, we always ran out of money. All our deep depressions reached their greatest depth when we had a complete collapse of the money supply. It will not occur again in the discernible future, because we have built up bank liquidity to levels twice as high as the best in good times prior to the 1930's. In mid-1954, liquidity of all the banks under the jurisdiction of

*The illusion that times that
were are better than those
that are, has probably per-
vaded all ages.*

—Horace Greeley

the controller of the currency was 61 per cent."

Other factors that have greatly strengthened the structure of the American economy, Dean Upgren noted as: 1) the "built-in" stabilizer in our system of federal taxation; 2) pensions, unemployment compensation and retirement benefits; 3) liquid savings increased and business working capital at all-time maximum, debts arranged on an amortized basis.

Heinz Company's Profit Plan

In the profit planning area of management planning and control practice at H. J. Heinz Company, Pittsburgh, F. M. Bretthelle, department manager, profit planning, discussed the company's fiscal year program, "a rather rigid measuring stick" against which operating results are compared, and the 5-year profit and capital forecast is revised yearly, to adjust to changing conditions.

Automated data processing received important attention. "The trouble with automation today is that 90 per cent of it is emotion and 10 per cent fact," declared James A. Dollard, manager customer administration program, department of education, International Business Machines Corporation, Poughkeepsie, N. Y.

Main reasons why "it generally takes a minimum of two years to get

ready to use the new accounting equipment and sometimes as much as a quarter of a million dollars in making the necessary surveys to do an effective job," Mr. Dollard pointed out as: (1) Every detail of every operation must be recorded on paper and in the proper sequence; (2) Internal resistance—people everywhere object to change; they must be sold on the new approach; (3) "Political" resistance—honest differences of executive opinion as to how a job should be done.

Forming Basic Computer Staff

R. B. Gookin, controller, H. J. Heinz Company, author of the 'fire alarm' phrase, in discussing the management planning and control objectives of the company, touched on its electronic data processing department, in existence for a year. "Two employees with wide company experience have worked in this area to research ways and means of facilitating and improving our management planning, coordinating and control of operations. This group has completed a feasibility study which indicates we do have an economically sound application for a large size computer. We are now in the first stages of organizing a 12-man staff to prepare detailed procedures of six basic operations in our company for programming and application to a centralized large computer system."

"Needless waste occurs as a result of the means used to prepare and deliver necessary facts to key people," according to P. B. Garrott, director of applications research, The Standard Register Company, Dayton, Ohio. Explaining the role of several "common language" machines in automated processing of necessary repetitive information, Mr. Garrott recommended attention to two simple rules: (1) record reusable data as early as possible on office machines which create some form of data perpetuating record, and (2) process such data on office machines which may be operated by, and also may produce other, data perpetuating records.

CALENDAR OF EVENTS IMPORTANT TO CREDIT

BRainerd, MINNESOTA
(Pelican Lake)

September 6-7-8

North Central Credit Conference,
including Minnesota, North Dakota
and Winnipeg

SAN FRANCISCO, CALIFORNIA

September 6-7-8

NACM Western Division Annual
Secretary-Managers Conference

SOUTH BEND, INDIANA

September 14

Indiana and Southern Michigan
Credit Conference

CLEVELAND, OHIO

September 17-18-19

Credit Management Workshop

WATERLOO, IOWA

September 19-20-21

Tri-State Credit Conference, com-
prised of Iowa, Nebraska and
South Dakota

HARRIMAN, NEW YORK

October 1-2-3

Credit Management Workshop

FOND DU LAC, WISCONSIN

October 9

Wisconsin—Upper Michigan Annual
Credit and Business Conference

MONTREAL, QUEBEC

October 14-15-16

Credit Management Workshop

SAN FRANCISCO, CALIFORNIA

October 14, 15, 16, 17

Robert Morris Associates Annual Fall
Conference

ST. LOUIS, MISSOURI

October 17-18-19

Tri-State Annual Credit Conference,

including Kansas, Missouri and
Southern and Western Illinois.

ROCHESTER, NEW YORK

October 18-19-20

Tri-State Conference, including New
York State, New Jersey and East-
ern Pennsylvania

CHICAGO, ILLINOIS

October 24

Annual Illinois Regional Credit Con-
ference

PROVIDENCE, RHODE ISLAND

October 24-25

Annual New England District Credit
Conference, covering Connecticut,
Maine, Massachusetts, New Hamp-
shire, Rhode Island and Vermont.

LOS ANGELES, CALIFORNIA

October 25-26

Pacific Southwest Annual Credit
Conference

TOLEDO, OHIO

October 25-26

Ohio Valley Regional Conference,
covering Ohio, Western Pennsyl-
vania, West Virginia, Kentucky
and Eastern Michigan.

PROFILED

*J. S. Mudge, district coordi-
nator, office and credit manager
for the Sperry Division of Gen-
eral Mills, Inc., in Spokane, was
the theme of a two-column profile
sketch in the Spokesman-Review.*

*They met in church. W. R. Aus-
tin, then Spokane manager of the
company, was a trustee of Grace
Baptist Church. He named Mr.
Mudge church treasurer. Later in
the year (1929) Mr. Austin picked
him for an accountant's post in
the company.*

TOLEDO, OHIO

October 26-27-28

Midwest Credit Women's Conference

HOUSTON, TEXAS

November 8-9-10

First Southern Division Credit Con-
ference of the National Association
of Credit Men

CHICAGO, ILLINOIS

November 18-21

Annual Meeting American Petroleum
Credit Association

SANTA BARBARA, CALIFORNIA

January 24-26, 1957

Credit Management Workshop

PORTLAND, OREGON

March 20-21-22, 1957

Annual Northwest Credit Conference

MIAMI BEACH, FLORIDA

May 12-16, 1957

61st Annual Credit Congress and
Convention, National Association
of Credit Men

Mr. & Mrs. Briggs in Europe On Rochester Unit Gift Tour

"Bon voyage," through the cour-
tesy of the Rochester Credit and
Financial Management Association,
Inc., set an even happier note than
usual aboard the "Queen Elizabeth"
for executive secretary Charles J.
Briggs and Mrs. Briggs. Their
month-long, expense-paid trip is
a thank-you on Mr. Briggs' 25th
anniversary with the association. C.
Herbert Bradshaw, past president,
National Association of Credit
Men, and general credit manager,
Bausch & Lomb Company, made
the gift trip announcement at the
dinner of the unit.

Edwin B. Moran, vice president,
National Association of Credit Men,
presented Mr. Briggs a plaque for
outstanding service, on behalf of
National.

While abroad, Mr. and Mrs. Briggs
will meet, for the first time, their
Italian foster daughter, Carolina
Valentina, 12, whom they have spon-
sored for the last three years.

Credit "Col-local-isms"

From The Credit Association of Western Pennsylvania comes this anecdote, which points up the contribution the individual can make toward the enrichment of credit terminology:

"One of our members was calling on a subjobber in the mountain area and in discussing present-day conditions asked him how he controls his credit problems. The subjobber responded, with a shrug, that his problems are very small. Being personally acquainted with all his customers he could easily enough make deliveries and collect his money. He added that on the good accounts he marks the delivery record for the driver "Open," which means leave the merchandise. On some questionable accounts he marks the delivery record "COD" which means collect but if the money is not available, leave the merchandise knowing there is nothing outstanding on the books. On chronic bad accounts he marks the record "COD-FOB" which means get the cash or "fetch on back"."

Question: Could EOM mean "he Enjoyed Our Merchandise long enough; now we'd like to Enjoy Our Money?"

New Inflation Threat Posed By Union Monopoly Practice

A new force for inflation, the tendency of wage rates to grow without any definite or normal relationship to market conditions, threatens the free world, and the problem is most acute in those countries in which trade unions are most powerful and unified, reports the research department of the National Association of Manufacturers, New York. The economists name these steps as necessary "if this danger is to be avoided":

(1) Wage increases, at the maximum, must be restricted company by company, to increases in productivity, and, in the general public interest, the wage increase should be held to an even smaller figure. (2) Gains in productivity should not all go to labor but should be divided three ways: to labor for its increased efficiency, to investors for the more effective tools and machines their savings provide, and to consumers through price reductions. (3) The monopolistic practices of small groups at the head of international

unions in mass production industries should be curtailed and bargaining restored to the local level.

The economy now has built up to the inflated money supply of the war and postwar years, as a result of increased volume at higher prices, and there is no further room for higher labor costs per unit of production to be absorbed, says the NAM report.

Langley Heads Canadians' National Credit Association

Joseph Langley, credit manager and chief accountant of Drummond, McCall & Co., Ltd., of Montreal, has begun his new duties as national president of the Canadian Credit Men's Trust Association. Credit and financial executives state-side will recall that Mr. Langley was general convention chairman of the Second International Credit Convention and 57th Annual Credit Congress, in Montreal May 17 through 21, 1953.

Mr. Langley had joined Drummond, McCall & Co. in 1919 as credit manager and accountant, and two years later began a continuous service to the CCMTA as a member. A governor in the Quebec Division for years, he became 1944-45 divisional president. He was elected a national director in 1952, and now succeeds Gordon J. McLean of Winnipeg as national president.

The new vice president is Trevor O. A. West, credit manager, Metals Limited Division of Empire Brass Mfg. Co., Ltd., Calgary.

New San Jose Office

The Credit Managers Association of Northern and Central California has opened an office in San Jose with Fred Hisey manager. A native Kansan, the 34-year-old Mr. Hisey had been with Dun and Bradstreet, Inc., for the last ten years and was manager of the Fresno office.

P. J. Warner Heads NACA

Philip J. Warner, president of Ronald Press Company, New York, has been elected president of the National Association of Cost Accountants.

Customer Relations

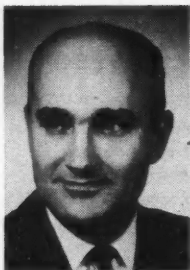
'With "thank you's" filling the air daily, it seems rather strange that credit people are shy in this respect. An experience reported by Armour & Company illustrates that customers are human, too, and like to feel they're appreciated. J. R. Y. has been an Armour customer for more than 30 years, notes the district credit headquarters at Philadelphia. Here is what they wrote to him and J. R. Y.'s reply:

"Dear Mr. (J. R. Y.): While going through the files, it occurred to us that many successful, highly-rated merchants never hear from the credit man; yet they're the ones who help to make our jobs easier and more pleasant. . . . Our folks in Roanoke speak highly of you, and have commented on the prompt and businesslike way you've always traded with us. We don't aim to just take customers like you for granted; we know you rate at least a note of appreciation. And, in your case, it's long overdue. Thank you very much!" Roanoke wrote later: "Mr. (J. R. Y.) seemed very happy over receiving your letter and expressed his thanks, stating it was the first and only letter he had ever received of this nature." Yep, we ought to be ashamed. For goodwill is good business."

"Middle Management" Salaries Rise 5% to \$11,347 Average

"Middle management" compensation averaged \$11,347 in 1955, an overall increase of approximately 5 per cent over the previous year. Three-fourths of the executives in this category (those between the policy-making level and that of general foreman or first-line supervisor) received increases in 1955, and 47.8 per cent received bonuses. In small companies mid-management pay usually ranges from \$5,000 to \$14,000 a year, while in large companies it may go as high as \$30,000.

The figures are contained in a study by the American Management Association, its fifth annual survey, of compensation paid in 33 different industries to more than 20,000 executives in the fields of marketing, manufacturing, finance, purchasing, engineering and industrial relations, for the period March '55 to March '56.



P. E. SKEEN



R. A. MEYER

Executives in the News



R. M. DE GILIO



W. B. BEHRENS

Knoxville Association Head 21 Years With Sole Employer

Paul E. Skeen began his business career with House-Hasson Hardware Company as a bookkeeper 21 years ago. Today he is credit manager of the company. Outstanding endeavors, particularly in membership, for the Knoxville Wholesale Credit Association have won recognition recently in his election as president of the association.

In World War II Mr. Skeen served with the Seventh Service Group, Army Air Force, in the South Pacific. He participated in the liberation of Luzon, acquiring a handful of ribbons and "hardware" (not the kind he sells). Owner of a green thumb, he naturally is a garden hobbyist.

"T" Is for Treasury and Tacoma Service as Well

Newly elected president of the Tacoma Association of Credit Men and Wholesalers Association of Tacoma, Richard A. Meyer was with the Internal Revenue Department for six years, then a public accountant one year before he joined Blake, Moffitt & Towne, Inc. He is secretary-treasurer of the Tacoma branch of the paper and paper products company.

Born and raised in Tacoma, Mr. Meyer left it to serve two years as bombardier in the U. S. Air Force, European theater. Before the war he was associated with a local bank.

Welfare of Blind Is Concern Of Cincinnati Credit Leader

Native of the "friendliest big city" and graduate of its University of Cincinnati, is William B. Behrens, who was entertainment chairman for the 60th Credit Congress. A past president of the Cincinnati Lions Club, he presently is a trustee of its Blind Welfare Fund. Recent election as president of the Cincinnati Association of Credit Men is recognition of service to profession as well. Mr. Behrens is secretary-treasurer of The Randall Company, Cincinnati, with which he has been associated 26 years; also is secretary-treasurer of The Wagner Manufacturing Company, Sidney, Ohio. He bowls with the Credit Association League.

3-Time Head of Indiana Unit Earns New Honors in Southwest

Consistent winning of top association posts is a Dewey Walker habit. The credit manager of D-X Sunray Oil Company, Tulsa, followed up election as president of the Southwest Petroleum Credit Association with election a week later to the presidency of the Tulsa Wholesale Credit Managers Association. He was three times president of the Terre Haute Association of Credit Men (1942, 1943 and 1945) before transfer to the company's Tulsa general office in 1952.

Earlier this year, when Mid-Continent Petroleum Corporation, with which he has been associated for 27 years, consolidated with Sunray Oil Company to form D-X Sunray Oil Company, Mr. Walker was named credit manager of the combined operation.



DEWEY WALKER

Stanford Merit Award Winner Given Association Top Honor

The 1955 recipient of the Alumni Merit Award of the Graduate School of Credit and Financial Management, NACM, Stanford, John C. Wiesner, this year wins honor as president of the Credit Managers Association of Northern and Central California. In the association he has been chairman of credit methods and practices, membership and holding, and publicity committees; chairman of the Food Manufacturers Credit Group and the foreign credit chapter. He is past director of Vigilantia, Inc.



J. C. WIESNER

Mr. Wiesner started in the credit department of California Packing Corporation, San Francisco, 30 years ago, and became credit manager in 1948. He is a Fellow of the National Institute of Credit.

From Parachuting in Combat To Happy Landing in Credit

At the age of 18 Ralph M. DeGilio "hit the silk" as paratrooper with the 517th Parachute Combat Team. Today, at 32, he has become president of the Syracuse Association of Credit Men. He is credit manager of Syracuse Supply Company, distributor of industrial supplies, machine tools and construction equipment. Following military service from 1942 to 1945, Mr. DeGilio studied at Syracuse University. He began employment with a credit reporting agency, subsequently branched out into retail, wholesale and loan company employment before joining Syracuse Supply in 1951. A family man now, this native of central New York has two daughters.

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